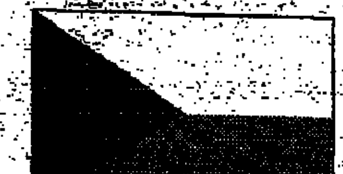

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FINANCIAL TIMES

Monday June 8 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Serbs prepare for final assault on Bosnian capital

Serb forces prepared to launch a final offensive against the besieged Bosnian capital of Sarajevo after a two-day artillery bombardment of the city, which left at least 30 dead, many of them civilians, and trail of blazing buildings.

Meanwhile, UN officials tried to put the finishing touches to an agreement aimed at re-opening the airport, which, like the capital, has has been blockaded for the last nine weeks. Page 14; Milosevic fails to convince he is powerless, Page 3

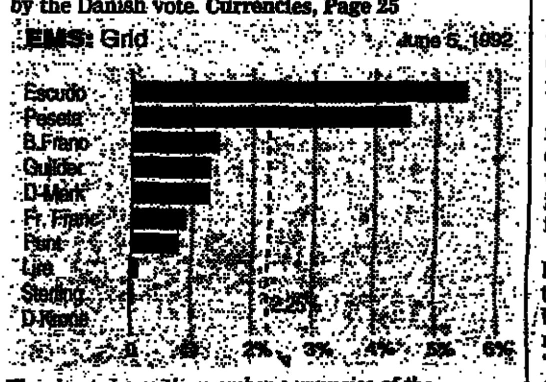
Maxwell pension aid: Britain's government will offer temporary financial aid worth £5m ($9m) to pensioners who lost their money when the late media tycoon Robert Maxwell raided their pension funds. Page 14

Guerin plea: A US intelligence adviser has written to a US judge to help win a lighter jail term for James Guerin, convicted former deputy chairman of Ferranti, by substantiating his claim that he worked with the CIA. Page 14

Police in manhunt: British police launched a manhunt in Yorkshire for two men, believed to be IRA bombers, who shot dead a special constable and seriously wounded a regular policeman. Earlier, a bomb exploded outside the Royal Festival Hall, a leading London concert hall.

Royal denial: The Princess of Wales did not co-operate "in any way whatsoever" with the author of a book which claims she made five suicide attempts because of unhappiness with her marriage, Buckingham Palace said. Page 7

The European Monetary System: The Danish krone is at the bottom of the EMS grid after the markets reacted nervously to Denmark's decision not to ratify the Maastricht treaty on European political and monetary union. But, unlike last week, it is no longer threatening to slip below its permitted rate of 6.18 percentage points against the Portuguese escudo, the strongest currency in the system. Sterling is only fractionally above the krone, having been adversely affected by the Danish vote. Currencies, Page 25



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. Currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with 6 per cent fluctuation bands.

Panama jet crash: Wreckage of a Panamanian airliner that vanished with 47 passengers and crew aboard was found near the border of Colombia. There were no immediate reports of survivors.

Indian assets threat: The Indian government has given itself power to seize assets of brokers and others suspected of fraud, boosting the chances of Standard Chartered and other banks recovering some of the large amounts owed to them. Page 4

World car sales rise: World car sales are forecast to grow by 1.3 per cent to 34.6m this year after last year's 2 per cent fall, the largest drop in sales since the 1980-81 recession, according to UK-based automotive analysts. Page 4

Skandinaviska Enskilda Banken, Sweden's largest private commercial bank, has reported an operating loss of about SKr600m ($103.7m), its first deficit, after bad debt provisions for the first four months of the year. Page 15

BT, UK telecommunications company, has found a way of delivering a television service along existing telephone wires and is exploring the commercial feasibility of offering a such a service to homes. Page 7

Heron International, troubled UK property and finance group which is seeking to reschedule nearly £1.2bn ($2.16bn) in debts, is to suspend interest payments on a portion of its £700m in bank loans from the start of July. Page 15

Bishop in Sinn Fein talks: Roman Catholic Bishop of Derry Edward Daly said he had been having talks with Sinn Fein, the IRA's political wing, in an effort to get the terrorists to end their campaign of violence.

Lagos shake-up: Nigeria's military rulers announced big changes in two key ministries and introduced an economic relief package to help soothe tensions after some of the country's worst violence in a decade. Page 4

Banc One, fast-growing Ohio-based commercial banking group, is to acquire 54-branch Key Centurion bank of West Virginia in a stock deal worth $536m. It will be the bank's sixth acquisition this year. Page 17

Fokker chairman Frans Swarttouw reportedly threatened to resign amid growing unease in the Netherlands over the sale of a 51 per cent stake in the Dutch aircraft builder to Deutsche Aerospace (Dasa) of Germany. Page 17

Foreign brokers' share of market volume on the Tokyo Stock Exchange rose above 20 per cent in April, thanks to their expertise in stock futures and options trading, and continuing foreign interest in Japanese equities. Page 17

Strong election showing by Slovak nationalists threatens government

Fears of Czechoslovak split

By Ariane Genillard in Bratislava and Anthony Robinson in Prague

PRESIDENT Vaclav Havel of Czechoslovakia last night called on Mr Vaclav Klaus, the federal finance minister, to try to form a new federal government following his Civic Democratic party's strong showing in the weekend general elections.

But he will face strong opposition from Slovak nationalists led by Mr Vladimir Meciar, whose Movement for a Democratic Slovakia won a clear victory in Slovakia, fuelling fears that Czechoslovakia will split.

Mr Meciar immediately withdrew his support for Mr Havel's presidential candidacy and repeated his pledge to push a Slovak constitution through the Slovak parliament. This would violate the federal constitution drawn up in 1968 by the communists.

The strong support for nationalist and left wing parties in Slovakia is reflected in the federal parliament, where they will be able to form alliances with Czech opposition groups to block attempts by Mr Klaus to form a new coalition federal government or push through constitutional reforms.

But the Slovak nationalists are also internally divided into different factions, with several ready to stop short of an outright break-up of the federation and anxious to continue economic reforms, albeit at a slower pace.

The Civic Democratic party obtained 29.7 per cent of the vote for the Czech parliament, where Mr Klaus will be able to form a majority coalition, enabling it to accelerate market reform. He won 34 per cent of the vote for the federal parliament.

The Czech right wing parties won a convincing victory in the Czech parliament over the left wing opposition led by the Czech communist party with 14 per cent of the vote, followed by the Social Democrats with 6.5 per cent.

The extreme right wing Republican Party, which appeals to the growing resentment against gipsies, also managed to surpass the 5 per cent threshold to gain seats in the Czech parliament.

But right wing parties were heavily defeated in Slovakia where 12 per cent unemployment has fuelled resentment against radical market reforms which have hit hardest at the republic's heavy engineering and arms industries.

Mr Meciar's movement, a loose coalition of nationalist forces, won 37.3 per cent of the vote and is expected to form a majority coalition with the pro-independence Slovak National Party which obtained 7.9 per cent.

In Slovakia the reformed communist party led by Mr Peter Weiss, gained 14.7 per cent while the Social Democrats led by Mr Alexander Dubcek, leader of the failed 1968 Prague Spring revolt against communist rule, managed to gain a handful of seats.

The Christian Democrats of Mr Jan Carnogursky, former Slovak prime minister, who replaced Mr Meciar last year, gained only 8.9 per cent while the attempts of Mr Klaus' party to gain a foothold in Slovakia failed to surmount the 5 per cent barrier.

Czechs and Slovaks reconsider the federation, Page 13

G7 tries to end US isolation at Rio

By David Lascelles and Christina Lamb in Rio de Janeiro

THE Group of Seven industrialised countries is trying to end the isolation of the US at the Earth Summit in Rio de Janeiro to raise the conference's chances of success as it moves into its final week.

In particular, the G7 will push for a strong agreement on forest conservation, the one area in which the US has expressed interest, and is willing to propose financial support.

However, President George Bush made clear after talks yesterday with Mr John Major, the UK prime minister, that he would not sign a treaty to protect the "biological diversity" of the planet's plant and animal life.

"We don't have an open pocket-book ... the financial parts are too open-ended for us," he said.

During the talks at the president's Camp David retreat, Mr Major apparently made little attempt to persuade Mr Bush to change his mind over the treaty.

Mr Major said the treaty seemed to call for "very substantial commitments" without specifying how and where the money would be used. He thought, however, that it would be possible to solve these problems.

The US position has been complicated by the leak of a memorandum from Mr William Reilly, the administrator of the country's Environmental Protection Agency and its chief delegate in Rio, seeking to win Mr Bush's approval for a modified version of the treaty.

President Bush and John Major, at Camp David to discuss the Earth Summit, try to restrain the presidential dog, Ranger

Mr Bush said the leak was "unhelpful" and "insidious". If its author were discovered, he would soon be "gainfully unemployed".

The president will be among the more than 100 world leaders converging on Rio at the end of the week for the formal summit. But the US has a lot of work to do in the four days before Mr Bush arrives if he is not to be met by angry crowds of environmentalists.

Washington's refusal to sign the bio-diversity treaty, and the doubts it has expressed about other documents have cast a shadow over the proceedings. They have angered delegates and jeopardised the summit's work because the agreements negotiated in Rio will need US financial and political backing if they are to succeed.

The developing countries have been pressing for large amounts of aid, but the industrial countries want any new commitments to be tightly controlled.

The US delegation has been jolted by the volume of criticism, and some of its members are reported to be keen for the US to restore its image.

Mr Reilly confirmed that the US had still not decided whether to sign the Rio Declaration, the summit document to which all world leaders are supposed to put their names at a round-table ceremony on Saturday. Some US officials admitted that a US refusal to sign would provoke an outrage.

Mr Reilly said he would be focusing "on things which unite us".

Following the row over the leaked memo which highlighted divisions between himself and the White House, he added: "I hope the background noise level will drop this week."

Rio controversy, Page 6
Observer, Page 13

'Unfair trade' claim by Tokyo

By Robert Thomson in Tokyo

JAPAN has accused the US and the European Community of widespread trade violations and of arbitrarily applying anti-dumping measures against Japanese goods.

The attack comes in Japan's first annual review of unfair trade drawn up by a senior advisory body to the Ministry of International Trade and Industry. It accuses the US of the most abuses among leading nations, at the same time as Japan's current account surplus is soaring to record levels.

The report is a sign of Japan's determination to take a more prominent role in the trade debate. It is, in part, similar to annual assessments of trade barriers by the US Trade Representative's office and the European Commission.

"We hope that the report will stimulate discussion," a Miti official said. "We admit that we are deficient in some areas, but we thought it would be useful to define 'unfair trade' and look at the practices of our trading partners."

The study, covering 10 categories of trade policy, found the US deficient in nine and the EC in six. Indonesia, Thailand and Malaysia had black marks in only four. China was excluded because it is not a member of the General Agreement on Tariffs and Trade (Gatt).

Among the US deficiencies was the demand for voluntary export restraints for products including steel, machine tools, textiles and cars, all of which affected Japanese companies and which were defined as a "violation of explicit Gatt provisions".

The EC was listed for having imposed "discriminatory quantitative restrictions" on imports of 49 Japanese-made items. In particular, Italy was cited for restricting direct imports of Japanese cars to 3,600 units, and only allowing the import of another 27,000 vehicles through third countries.

In assessing "unfair practices", the advisory body, including professors from leading Japanese universities and representatives from companies such as Nissan Motor and Sony Corporation, generally relied on interpretations of Gatt provisions

Continued on Page 14

Pressure for referendum on Maastricht grows in Britain

By Ralph Atkins and Daniel Green in London

PRESSURE in Britain grew for a referendum on the Maastricht Treaty as weekend opinion polls showed strong backing for a public say on closer European union.

Amid clear differences among the ruling Conservative party, including in the Cabinet, Mr Douglas Hurd, foreign secretary, will try to soothe the row at Westminster today when he reports to MPs on last week's emergency discussions by European Community leaders.

Euro-sceptics will take heart at a hint from Mr Gerald Kaufman, the opposition Labour party's foreign affairs spokesman, that his party might support a UK referendum.

"If we had a clear treaty which the country knew was going forward, then one could not necessarily argue that there should never at any time be a different way of getting popular approval," Mr Kaufman said on BBC radio.

Tory backbenchers organising opposition to Maastricht are expected to cause further embarrassment to the government by collecting signatures for a motion opposing the reappointment of Mr Jacques Delors as European Commission president.

The rebels have put forward amendments to the Maastricht bill calling for a referendum. They have been encouraged by a Sunday Times-Mori poll showing 75 per cent in support of such a move. A Gallup poll for the Sunday Telegraph showed 69 per cent backing a referendum.

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"We are not going to cool off," said Conservative MP Mr Michael Spicer.

Lord (formerly Mr Norman) Tebbit, former Cabinet minister, joined calls for a referendum, saying Maastricht was about "whether we should give away our power to govern ourselves".

The Maastricht bill's passage through parliament has been postponed until at least the end of this month. Labour now plans to vote against the bill if the government brings it back to the Commons without clearing the confusion created by the Danish referendum result.

Privately some Tories warned at the weekend that ministerial resignations could follow if the government attempted to bring the Maastricht treaty back to the Commons in its present form.

"If resignation, as a means of giving leadership to others who needed to be encouraged, was necessary, I have no doubt that some people would be prepared to make that gamble," said one minister.

Financial markets are hoping for a more settled week after the referendum last week hit shares and bonds while boosting the D-Mark. Markets were already relatively calm by the end of last week as analysts concluded that, even if Maastricht might be dead, institutions like the European Monetary System were more or less intact. Markets could yet be unsettled by the results of opinion polls ahead of Maastricht referendums in Ireland and France.

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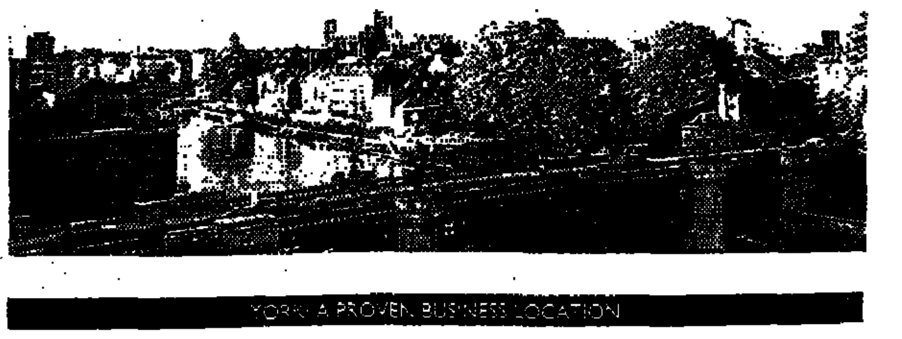

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CONTENTS

NEWS: MAASTRICHT IN THE BALANCE

□ LAST week's Danish vote against the Maastricht treaty sent tremors through the European Community. Mr Uffe Ellemann-Jensen, the Danish foreign minister, did his best to salvage the remnants of Denmark's European policies; President François Mitterrand called a referendum; Chancellor Helmut Kohl confronted growing German opposition to European monetary union; Prime Minister John Major faced a backbench Commons revolt which could sabotage Britain's bid to play a constructive European role during its six-month presidency starting next month; and Italy struggled on with the task of trying to form a government.

EC foreign ministers met in Oslo, and tried to pretend it was business as usual. Around the continent the voters pondered the confusion – and wondered what it all meant. Denmark's referendum exposed a deep gulf between the pro-Maastricht policies of the country's political establishment and the hopes and fears of ordinary voters.

To assess reaction to last week's events, Financial Times reporters went on to the streets at the weekend and asked citizens in Britain, France, Germany and Italy for their views on the Community's post-Copenhagen crisis.

Threat to D-Mark touches a raw nerve

AACHEN, GERMANY

IT WAS someone's birthday and the pils and kölsch were going down at full throttle. A dozen Aacheners in a town centre bar were alternately mourning and laughing themselves half to death over the topics of the day.

Faces lengthened briefly at the news that Steffi Graf had just lost the French Open tennis championship to Monica Seles. And, inexplicably, one of the party had not heard of the death of Benny Hill. "A great artist. We needed clowns like him," he said.

Gitta, the birthday girl, about 65 with cyclamen-carrot hair, stepped into the breach: "What we need is more asparagus and more sex for senior citizens. There's thousands of things to do with asparagus..."

"Oh aye, and the city can't tax you on it!"

There was plenty to laugh at and nothing was sacrosanct; the revered "king of vegetables" (approaching its seasonal peak), the British royal family (close to its nadir), plans to house asylum-seekers in converted rail and road containers, and the "Genscher peso".

The proposed single European currency has already found its own local identity in Aachen in an expression of gentle mockery for the recently retired foreign minister, Mr Hans-Dietrich Genscher, combined with something close to contempt for the gall of those who think a half-baked amalgam of lesser European currencies can replace the D-Mark.

"The Ecu. What kind of a currency is that? What about Genscher pennies?" How they roared. No disrespect, Bert explained later. It was a quirk in pronunciation that made the joke such a hit. The tone of the badinage was back to asparagus and pensioners' rights.

But seriously, said Bert, he had no objections to the single currency. He blithely cited the endless assurances from Bonn and the Bundesbank that, whatever it was called, it would have all the stability and value of the D-Mark. "Oh aye, you don't care because you're a bloody millionaire," said Gitta. "How will I manage?"

Aacheners have so far managed well enough with everything the European Community has offered. It was in their town, in the late 1970s, that the German model for the European monetary system was adopted. And it was just 30km down the road in Maastricht that the treaties designed to bind European political and monetary union were signed.

They live in a border community, a self-proclaimed "Euregio Maas-Rhein" encompassing the people, cultures and currencies of Germany, the Netherlands and Belgium. The local newspaper costs DM1.50, BFr25 or Fl 1.75 depending on what you have in your pocket. As almost everywhere else in western Germany, the 12-starred Community banner is part of the civic fixtures and retailers' fittings.

Bert claims to speak for his friends: the Danes "do things as they want" and that is fine. He does not want a referendum on the Maastricht treaties, and he does not believe last week's TV and radio phone-in polls, which suggested more than 80 per cent of Germans would vote No if they were asked.

If pressed, he is more worried about Russian-built nuclear weapons all over eastern Europe, instability beyond the Community's eastern borders, and how much of his pay packet goes to east Germany. "The political classes have got many big jobs to do, and we should ask ourselves if they are big enough to do them."

A straw poll of a dozen Maas-Rheinlanders too pleased at the prospect of the long Whitsun weekend to worry much about subsidiarity suggests that the sole implication of the Maastricht treaties which has impinged on local consciousness is the loss of the D-Mark – and it is resented. But Europe is Europe, with or without the Danes or, in the end, the D-Mark.

Rudi, a local visiting from his new home in Düsseldorf, worries that "even I, a businessman who understands the treaties," cannot properly envision the outcome when they come fully into effect. The politicians who signed them, he says, have been irresponsible; too preoccupied with scoring party political points at home.

"Some people say the Danes did not properly understand Maastricht. If that is true it must also be true here. We Germans are not so clever."

There are signs that the "political classes" are waking up to the reality of an information gap. Mr Friedrich Bohl, minister in the chancellor's office, made a ponderous effort at clarification after the Danish referendum shock last week.

Without the union, he said, there would be no European environmental policy and markets would be lost.

Acknowledging popular concerns, he added there would be no way of stopping the flow of refugees and Germany would be defenceless against organised international crime.

The Foreign Ministry, meanwhile, has sponsored a computer quiz game – On the road to Europe – intended to deepen appreciation of the Community neighbourhood. It was launched at the Europafest in Erfurt, eastern Germany, yesterday. Questions include: Is the French national anthem called La Bouillabaisse? Who or what is the Iron Lady? and How do Danes decorate their Christmas trees?

Christopher Parkes

Full implication of closer ties eludes provinces

SARZANA, ITALY

SARZANA'S European credentials are there for all to see. At the entrance to this small provincial town on the borders of Liguria and Tuscany is the large European Community symbol, with its blue background and yellow stars of the 12 members.

Does Franco, the petrol pump attendant at the nearby garage, worry now that there may be only 11 real members in the Community? "Never bothered to count the stars myself," he says, slightly embarrassed.

Has he heard of Denmark's decision in a referendum to reject the terms of closer EC integration? "Wasn't that the night of the Italian under-21s against Sweden?" Like most of his fellow countrymen, football is his term of reference.

Franco is not afraid of Europe and has never questioned whether he or Italy might not be part of it. Europe and the EC are just there. A fact of life.

Sarzana lies astride the ancient Highway No I (the Aurelia) close to the mouth of the river Magra. Here the mountainous rocky coastline of Liguria gives way to a fertile narrow plain that gradually broadens out towards Viareggio and Pisa to the south. Historically, the town controlled access to the inhospitable hinterland of the central Appennine chain and the rich farm land of Parma.

This strategic position has long made Sarzana (population 25,000) a trading centre. The town has also benefited from being close to the marble mines of Carrara.

But the big change has come in the past 20 years with the construction of two autostradas, one linking Genoa and Pisa and the other from Parma. Sarzana has become a wealthy distribution centre – hypermarkets have grown up on ring roads while the centre of town has acquired boutiques and antique shops.

It is the kind of place marketing men like to test their new products.

But for the town's citizens, Europe is an awkward product. In the Chamber of Commerce, at the local trade union office, the rules of the European game are clear. But for the "man in the street" notions are vague.

Aldo runs a fruit stall with his mother and two sisters. Is he aware that Brussels is making regulations which might affect his business? "I don't know about the common market; but the big difference in our lives was when they started building supermarkets on the outskirts of town. We have to watch our prices... We don't have to worry about cheap foreign imports: we Italians don't like buying foreign produce – we are still used to buying things in season."

One of Aldo's customers interjects: "The common market's been good to us – why should we think of a referendum? They've given too much money to the south; but round here people in agriculture have been pretty good at fiddling money [from Brussels]."

In a newspaper shop a lively discussion begins about the EC even though no one apparently has paid much attention to the Danish referendum. "The EC is good for us – helps our exports," says a young man with a motorcycle helmet under his arm. "They told us about our budget deficit. We can't spend so much," says a waiter who has popped in from a neighbouring bar.

The owner of the shop looks on bemused. "I read the headlines. Selling newspapers you don't have time to read them... mind you, the Danish referendum wasn't given much prominence. It's political scandals every day in Italy. Most of my clients prefer Corriere dello Sport and right now its the Tour of Italy cycling," she says.

Ana is a 19-year-old medical student from Pisa spending the weekend with her parents. "We should have a referendum on Europe, although I doubt there would be enough signatures."

Of more than a dozen people "in the street", Ana is alone in being critical: "Italy has blindly accepted everything about European integration. People are fundamentally in favour of belonging to the EC but no one has asked why and the politicians have not initiated a debate. But how can you have a meaningful debate when the country has no faith in the politicians?" she says.

"Thank God for Brussels," says an antique dealer. "Our politicians are useless and the EC has given us our only project – no wonder Italians are in favour of the Community. No one worries about sovereignty here. Modern Italy has always been in hock to someone – if it wasn't the Vatican, then it was the Americans. Why not Brussels?"

Nevertheless, in a prosperous town like Sarzana few realise the practical implications of closer EC integration. For instance, Franco is working at a petrol station owned by the state concern, Agip, which is about to be privatised. He has not heard of competition policy and does not know the intricate defence mechanisms adopted until now by Agip to keep foreign competition out of the Italian market.

He realises, however, that self-service pumps, resisted by his union, are in use in northern Europe and his job could be at risk.

"But Italy gives good pensions," he says (thanks to a public-sector deficit which Brussels tells Rome ever more bluntly it cannot afford).

Perhaps if European integration were explained in terms of a game of football, where the fans no longer had the chance of intimidating the referee, more Italians would question the benign view of Brussels.

Robert Graham

Ashley Ashwood

Jacques Delors: under fire

Bastion of British culture wary of a bouncer from Brussels bureaucrats

COULSDON, ENGLAND

THERE is plenty of indifference to Europe on the shopping streets of Coulsdon, a community nestling on the green edge of London's southern sprawl. This is tempered by a fair amount of benign Euro-mindedness.

It must be remembered, though, that Coulsdon is a bastion of British culture. It is the place where the world's first proper game of cricket was recorded in 1766. So it is hardly surprising that, on Saturday, the main emotion expressed towards Brussels was suspicion tinged with stubbornness.

A united Europe would encroach on some cherished elements of British daily life which Coulsdoners are certainly not ready to give up.

"The Danish referendum is indicative of what the man in the street is thinking," declares Mr Colin Moore, a clerical officer from British Telecom. "There's a general feeling that Jacques Delors wants to be king of Europe."

Mr Moore does not want the Community, for example, to meddle with the content of British sausages. Warming to his theme he outlines other treasured traditions under threat. "We in this country are used to certain things, like milk being delivered to the door. To sweep all this away because others don't have it is wrong."

Representing Coulsdon's indifferent tendency, by contrast, is the robust manageress in Coughlans Patisserie. Reluctantly she undergoes an FT interrogation while executing a strategically-placed order to sell four juicy Danish pastries.

No, she does not have time to think about the Maastricht treaty, she frowns. No, she has not done a record trade in unloading Danish pastries this week to Coulsdon customers celebrating the Danes' feat in leaving the Community sticky-fingered. No, she glares, she does not particularly like them herself.

Mr Martyn James, who runs a busy butcher's shop, is more forthcoming. He is more positive, too. He scoffs at Mr Moore's suggestion that Brussels would interfere with his sausage trade. "Ten years ago they said Brussels would stop us selling fresh turkey. Nothing happened."

Mr James says Yes to Europe. "It's better to be united." He gazes at his wares – leek sausages, Chinese-style chicken wings, marinated lamb – and senses that the forces of internationalism are marching in the right direction.

"We didn't sell all this before," he says contentedly.

Another man who believes that "a united Europe is essential" is Mr Robert Cook, an elderly ex-army officer who met his German wife while in occupied Germany after the Second World War. They are stocking up supplies after spending three weeks near Hanover visiting relatives. Nonetheless, he adds: "I can understand why people are a bit wary."

Wariness springs from most Coulsdon lips. Mrs Pat Burcher, serving in a stationer's shop, spots a creeping but ill-defined menace from Brussels. She would love to say No in a British referendum. "They will take away our individuality. I don't want to be moulded into one." What does she most fear from Brussels? "They're already laying down the law, aren't they," she replies. In what areas? "You know, silly little things," she replies.

Mr Kevin Wood, headmaster of a local school, says the Danish result is "very encouraging". He explained it all at the school assembly on Wednesday, recalling to the children how Sir Thomas More also declined to say Yes (although this was to Henry VIII over a royal divorce, of all things, and not to a Delors edict on sausages). Mr Wood stood for Labour in Leicestershire on an anti-EC ticket in the 1970 election, lost by 17,000 votes, but now feels the satisfaction of late vindication.

Just back from a coach tour of France, Germany, Switzerland and Italy with Surrey teachers, Mr Wood backs links with Europe, but does not want full integration. "The Danish vote tells me there is a groundswell of anti-common market feeling."

Mrs Joan Fazackerley pauses while guiding two small children down the street. "I'm in favour of being in Europe, but not of losing our independence. I'm not in favour of one currency." She would say No to Maastricht in a British referendum.

Mr George Stewart, the joint proprietor of a gun shop, sees no reason why Britain should have to give up driving on the left. He, too, has a German wife and observes with pleasure how many Germans do not want to get rid of the D-Mark.

Mr Stewart is also concerned about the remoteness of Brussels. "The line of communication between the people making the decisions and the man in the street is so tenuous as to be invisible."

Coulsdon clearly believes in town planning. Handily placed next door to the gun shop is the parlour of W A Truelove, funeral directors. Just the place for a last judgment on Maastricht.

Mrs Anne Lock, the manageress, says: "I tend to agree with the Danes. They've stood out where others have been afraid to. I don't think we should be ruled by Brussels. No other country can tell us how to run things. We've always been an independent little island, haven't we?"

David Marsh

Cosmopolitan mix keeps support for European unity alive

SAINT-DENIS, FRANCE

THE spirit of Maastricht is alive and well – on the surface, at least – among the many races and creeds milling around the market in Saint-Denis on the northern outskirts of Paris.

Saint-Denis has an incongruous mix. It is one of France's most cosmopolitan towns; Corsicans, Arabs, Poles and Africans mill through the streets. The kings and queens of France lie buried inside the town's single-tower Gothic cathedral. The town hall is run by the Communist party, which believes the Maastricht treaty is an affront to national freedom. One in four of the town's residents vote for the extreme right-wing National Front, whose leader Jean-Marie Le Pen is France's chief anti-Maastricht campaigner. And yet, on the evidence of the market-place, Saint-Denis is decidedly pro-European.

The Danish vote against Maastricht has made almost no impact on 10 French nationals picked at random from this colourful gathering.

Half of them were of foreign extraction – proof of France's tradition of assimilating people of different cultures. Seven of the 10 said they would definitely vote for Maastricht in the referendum announced by President François Mitterrand on Wednesday, one said no and two had not made up their minds.

"Anything that moves to a single Europe is good," says Mr Hamadache Arezki, 39, a trader selling billowy underwear to Saint Denis' larger ladies. Mr Arezki considers himself badly informed on the details of Maastricht, and then reels off most of the main points with startling expertise. Algerian by origin, Mr Arezki thinks of himself as French.

The National Front and the Communists won a combined 50 per cent of the vote in regional elections held in March, so it is surprising to find so many people in the streets confessing to be pro-European.

Mr Le Pen's supporters blame immigrants – 28.5 per cent of Saint Denis' population is foreign – for the 14 per cent unemployment rate, four points above the national norm. Saint Denis is also poor; nearly half its households have no car and a quarter have no bathroom, toilet or central heating, according to a study by the town hall.

Perhaps the town's non-Europeans think the EC will improve their lot, while the anti-Europeans want to defend their livelihoods against a possible increase in immigration. Significantly, the only firm anti-Maastricht voter in the FT's straw poll was of French origin.

Mrs Françoise Dauphet, a middle-aged woman who works in a clothes shop, says: "I'm glad the Danes said no. Perhaps the single European currency is a good idea. But opening the frontiers is bad. There are already too many immigrants in Saint-Denis and too much unemployment."

Mrs Dauphet, who says she votes for the neo-Gaullist opposition, adds: "Look what happened when Germany let down the wall. We don't want that here."

A young French girl, sitting at the information desk in the nearby town hall, claims never to have heard of Maastricht, let alone its treaty. In any case, questions on Europe's future are not her business and should be addressed to the electoral office she says, a reflex which shows typical French belief that the public administration knows everything.

The office is run by Mr Philippe Chartier, a polite, bespectacled 26-year-old, who agrees that average French people are not well enough informed on the content of the Maastricht treaty, and have lazily left the subject to their respected administration.

Public ignorance may have contributed to the Danish problem, he says, adding that this factor might have been underestimated by the French government.

"French people tend to see Maastricht as a source of conflict between political parties, rather than for what it is," he says. Mr Chartier believes that voters will view the Maastricht referendum as much as a chance to express a view on the increasingly unpopular Mitterrand presidency as on the treaty. The referendum could thus backfire.

"Even so, I think only four out of 10 in France will say no," he says.

Back in the street, a surprising number of locals talk about the need for Europeans to band together against perceived US domination. Mr Bernard Mascheroni, 61, a part-time landscape painter, sips black coffee in a bar as he argues "European union will make us all stronger, so that the EC can resist US imperialism".

The threat to national identity is a marginal problem for a multiracial district like Saint Denis, he points out. "The Danes might be right," echoes the barwoman, Mrs Chantale Monetti, who does not know how she will vote.

The painter's fear of the US is echoed by Mr Albert Baum, 67, a Polish tailor, who adds that the EC should try to imitate a US federal system. "It's not a perfect model, I know, but it works," he says. Mr Baum would be happy to pay his bills in Ecu, rather than francs.

"The Danes have got it all wrong. You can't make a European union and completely satisfy everyone. This is the problem of Europe and they have to accept that," says Mr Baum.

Like others he fears the average Frenchman or woman is not well enough informed to vote rationally on Maastricht. "People will just vote on what they are told."

William Dawkins

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

EC ministers to pursue single market

By David Gardner in Brussels

EC finance ministers meeting in Luxembourg tomorrow will try to give the impression of business-as-usual, despite uncertainty over the future of the Maastricht treaty, by advancing measures to create next year's single market.

Ministers will have their first formal look at Spain's "convergence" programme, under provisions whereby the 12 examine each member state's efforts to prepare for economic and monetary union (Emu), by converging their fiscal and monetary performance towards targets set by Maastricht.

Following Denmark's rejection of the treaty last week, this increasingly important exercise in mutual bullying will be watched more closely by markets anxious about whether Emu and a single currency are now feasible by the target dates of 1997, or 1999 at the latest.

Ministers will also have their first serious discussion on the European Commission's plans to increase EC revenue by more than 30 per cent from now to 1997. This increase partly flows from Maastricht pledges to increase fiscal transfers to Spain, Portugal, Ireland and Greece, the Community's poorest members.

The size of the increase is hotly opposed by Germany and the UK, the EC's two biggest net contributors. But if the EC tips itself into a further argument about money, the prospects of ratifying Maastricht could be clouded further. The most potent weapon of the Irish government, for instance, which is holding a referendum *on June 18, is EC cash.*

MAASTRICHT IN THE BALANCE

The finance ministers will also continue the EC's increasingly controversial efforts to persuade the UK to harmonise its value added tax rates with the rest of the Community as part of the single market.

● **Christopher Parkes adds from Bonn:** Chancellor Helmut Kohl said yesterday EC leaders would agree to accelerate the pace of enlargement at their next summit in Lisbon later this month.

"The train will not stop," he added in a robust response to the Danish referendum's "no" to political and monetary union. "We want to step up the pace rather than slow it down," he said in a radio interview.

Milosevic fails to convince he is powerless

Observers believe the Serbian leader does have authority over forces in Bosnia, writes **Judy Dempsey**

MR Cedric Thornberry, the United Nations mediator in the besieged Bosnian capital of Sarajevo, is pinning all his hopes on the coming days.

Following lengthy negotiations between the Bosnian presidency and Serb militia groups at the weekend, an agreement was reached to reopen Sarajevo airport.

As long as the airport remains blocked by the Serb forces, the more likely the people of Sarajevo will die of starvation. Its remaining 300,000 inhabitants have been without food, water, electricity and medicine, after Serb forces started bombarding and besieging the city nine weeks ago.

Mr Thornberry wants UN troops to take control of the airport, as well as the surrounding areas. But any successful implementation of this plan depends on Serbian President Slobodan Milosevic.

In an attempt to distance himself from the fighting in Bosnia-Hercegovina so as to end the UN sanctions imposed on Serbia a week ago, Mr Milosevic claims he no longer controls the forces in Bosnia. Few experienced UN or western diplomats in Belgrade believe him. They say the fighting in Bosnia could be reduced if the Serbian president chose to call in the Serbian commanders who control large sections of that war-torn republic.

These commanders are located in four key centres: Sarajevo; Pale, which is close to the capital; Banja Luka in the north-east; and Tuzla, in the east of Bosnia.

In Sarajevo, Mr Milosevic's hand-picked man is General Ratko Mladic. Formerly Yugoslav army commander in the self-proclaimed Serbian republic of Krajina, south-western Croatia, he was appointed head of the Yugoslav army in Sarajevo by Mr Milosevic in early May. A few days later, he was made chief of Serbia's proxy Bosnian army.

Since then, along with Mr Radovan Karadzic, leader of Bosnia's Serb Democratic party (the sister party of Mr Milosevic's ruling Serbian Socialist party), General Mladic has ruthlessly tried to starve Sarajevo into submission.

Through siege and bombardment, he and Mr Karadzic, whose headquarters is now in Pale, want to divide the city's ethnically-mixed, but close-knit, community into separate Croat, Moslem and Serb districts.

To the north-west, in the 195,000-strong city of Banja Luka, a Serbian stronghold, a more insidious campaign to create ethnically-pure Serb regions is under way. A special "Centre for Migration", organised by Mr Brdjanin Kuprasanin and Mr Radislav Vukic, has been set up to administer the transfer of populations.

For example, Mr Kuprasanin recently demanded that the mayor of Zenica, a city in central Bosnia, swap 30,000 Moslems and Croats from Banja Luka for Serbs from Zenice. Before the fighting, Banja Luka was 55 per cent Serb, 15 per cent Croat, and 15 per cent Moslem. Zenica was 55 per cent Moslem, 15 per cent Serb and 15 per cent Croat.

Moslems refusing to move out of their homes are forced to, or are killed. When they try to flee, the men are often picked out of the convoys and shot. A bus driver, involved in bringing some of the 200 refugees from the eastern Bosnian town of Visegrad, recounted last week how Serb militia forces on the Serbian border turned back the convoy into Bosnia. The Serbs then stopped the bus, picked out 17 Moslems and shot them dead.

In Tuzla, Serb forces led by Mr Mile Dubajic began bombarding the 131,000-strong city two weeks ago with the aim of driving out all non-Serbs, and consolidating that swathe of territory between Serbia proper and Tuzla. Over 47 per cent of the city is Moslem.

Like other Serb commanders, Mr Dubajic has no respect for UN or other relief agencies. He told a senior international aid agency official that if he returned to the city, he would be shot personally by Mr Dubajic. "They don't want us around because they don't want us to see the atrocities," said a UN official.

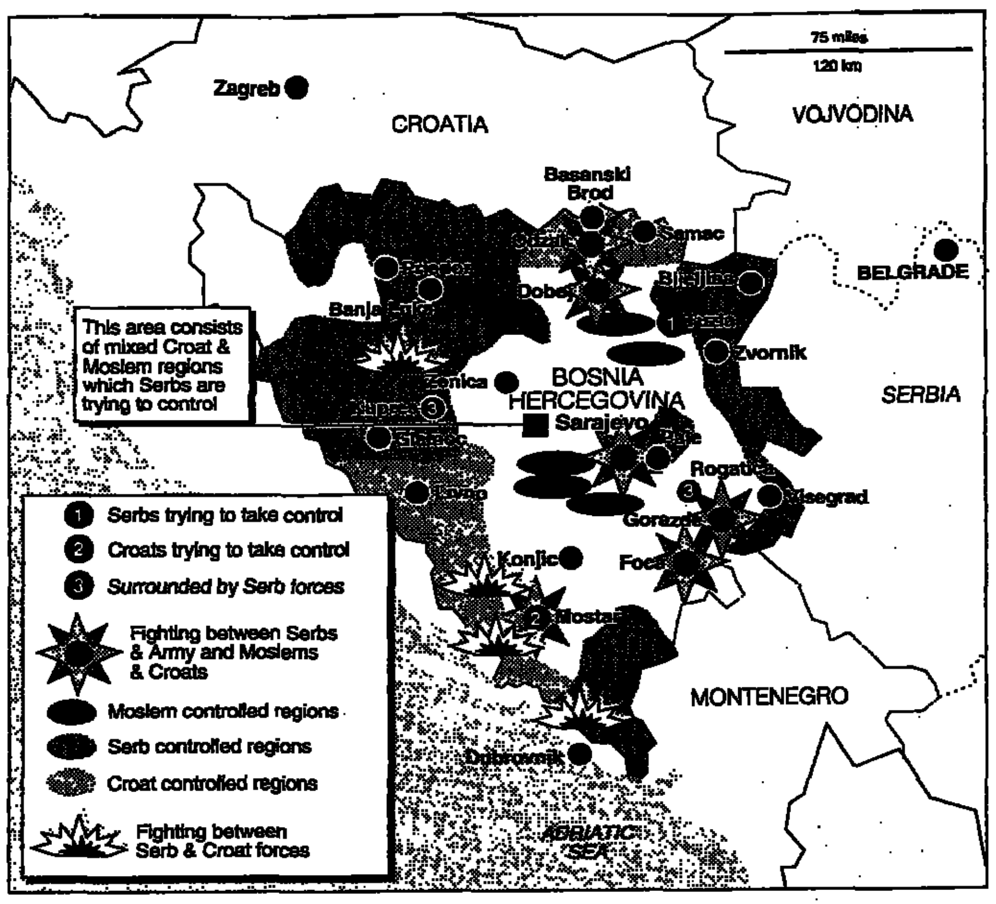
Away from the main centres of fighting, UN and diplomatic military personnel returning from other regions in Bosnia explained how Serb and Croatian forces were driving out innocent civilians from villages through a policy of pillage, burning, and killing.

"In remote areas, Croats and Serbs are doing their own forms of ethnic cleansing in such a way that refugees who want to come home will have nothing to come home to," a senior UN official explained.

In regions around the south-western city of Mostar in Hercegovina, Croat forces under the command of Mr Slobodan Praljak, Croatia's assistant defence minister, have forced thousands of Serb villagers to flee into neighbouring Montenegro. UN officials say Croatian President Franjo Tudjman is using the international spotlight on Serbia to advance Croatia's own aims by trying to annex Hercegovina to Croatia.

But they still insist that Mr Milosevic has the authority to order the siege of Sarajevo and its airport to be lifted, and the power to rein in General Mladic, Mr Karadzic and Serb militia groups.

A senior western diplomat said: "If Milosevic says he has nothing more to do with Bosnia, why doesn't he prove it by halting all oil and money sent from Serbia to the army in Bosnia, and removing General Mladic?" He added: "Maybe, in his cynical and cowardly way, Milosevic will do it when Sarajevo has been completely destroyed."



G7 summit set to streamline supply of expertise to eastern Europe

THIS year's Group of Seven economic summit in Munich will be asked to approve the creation of special co-ordination groups to improve the supply of western expertise to the former communist countries of eastern Europe and the former Soviet Union, write **Peter Norman and Quentin Peel in Bonn.**

Mr Horst Köhler, the German government sherpa, or official, preparing next month's summit, said the states could no longer cope with the different advice and technical assistance supplied by western states.

He told the Financial Times that the G7 sherpas, representing the US, Japan, Germany, France, Britain, Italy and Canada, had already reached broad agreement for the summit to give the go-ahead to so-called country co-ordination groups to aid each of the emerging market economies.

These would link the efforts of the International Monetary Fund, the World Bank and possibly the European Bank for Reconstruction and Development with those of interested western countries to ensure that macro- and micro-economic advice is better co-ordinated, and to eliminate some of the overlap and competition among western countries providing assistance. This would also give the G7 something to offer Russian President Boris Yeltsin, who will join the G7 leaders for talks after the summit.

The main goal of the summit, which runs from July 6 to 8, will be to boost the confidence of western businesses and consumers and foster economic recovery. Mr Köhler said Germany, as the host country, was keen developing countries should not be left out of this process.

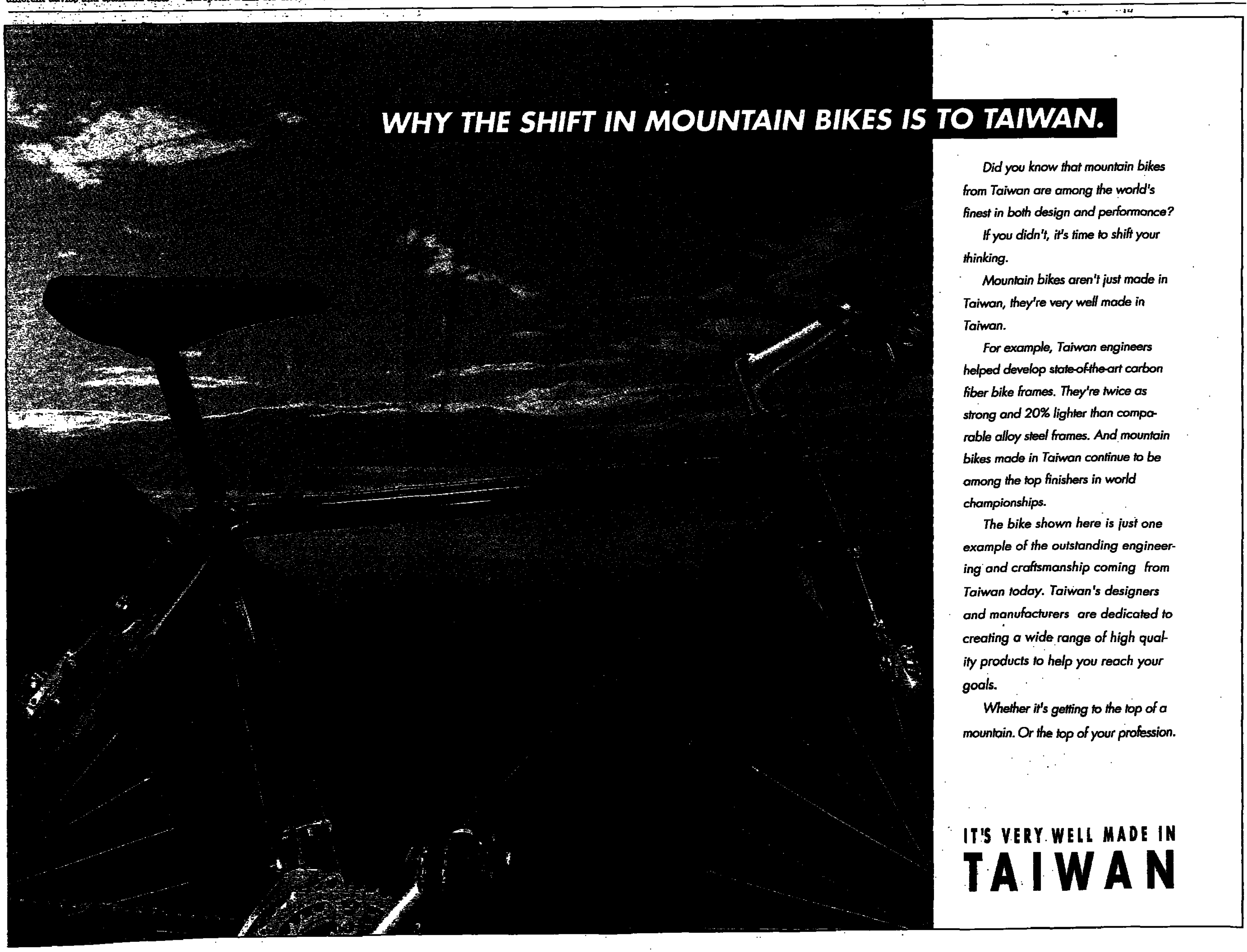
He said the summit would not institutionalise a new north-south dialogue. But there were many areas of shared interest between the industrial and developing countries, ranging from the environment, through economic growth, to combating the drugs trade and controlling immigration and epidemics. The prospects for more fruitful contacts had increased since the collapse of communism and the increased adoption of market economics and ideas of good governance in the developing world.

The proposed focus on north-south relationships would give leaders a break from issues which could make the summit one of the more acrimonious G7 gatherings.

The still-faltering state of world growth, Germany's high interest rates and the problems it is facing in absorbing the new eastern Länder, the possibility that the Uruguay Round of trade liberalisation talks will stay stalled until after November's US presidential election and the difficulties surrounding the former Soviet Union's emergence from communist dictatorship have set the scene for a meeting where there will be no easy answers.

The sherpas have so far failed to reach agreement on one important summit issue: how best to make safe the nuclear power stations of the former east bloc. "We are not going to solve all the problems of the world at a stroke. It could be a failure," Mr Köhler admits.

However, Germany is doing its utmost to make the summit a success. For example, Mr Theo Waigel, the finance minister, has brought forward by two weeks the deadline for finalising next year's federal budget, to show that Germany is earnest about cutting the fiscal deficits caused by unification.



Indian government takes powers to seize assets of fraud suspects

Standard Chartered hopes rise for missing £200m

By Richard Waters and R C Murthy in Bombay

THE Indian government has given itself power to seize assets of brokers and others suspected of fraud, boosting the chances of Standard Chartered and other banks recovering much of the large sums owed to them.

On Saturday, the government passed an ordinance giving it power to seize money diverted from the banking system as far back as April 1 1991. That period covers dealings involving Standard Chartered, which the Indian central bank says is owed Rs10.55bn (£202m).

The order will save the UK-based bank from having to pursue its claims through the courts, which could take years.

The government also took powers to set up a special court to try allegations of fraud and corruption in the Bombay stock market scandal. Irregular securities trading, in which Mr Harshad Mehta, the Bombay broker, and others raised large sums from banks for stock market manipulation, is at the heart of India's worst financial scandal.

The 10 so far charged appeared in court in Bombay on Saturday and were remanded in custody.

Mr S Venkitaraman, governor of India's central bank, said the scandal would not slow the pace of liberalisation of India's financial markets, though it had given ammunition to opponents of reform.

He said there was nothing he could have done to have prevented the Rs30.8bn (£600m) fraud on the country's banking system, which has led to calls for his resignation.

There had been frauds in several banks, including Standard Chartered, with many deals not being reported to the bank's managers, he said.

"No central bank in the world has a policing system for that."

Mr Venkitaraman said he had been aware of similar abuses a year ago, though on a smaller scale, and had told banks then to make sure there were adequate controls.

The governor has been criticised because two banks at the centre of the fraud – State Bank of India and National Housing Bank – are owned by the Reserve (central) Bank and have bank representatives on their boards. Mr Venkitaraman said he had no direct control over the banks, but that the government was responsible for appointing their top managers. "I can neither hire nor fire the management."

The central bank's ownership of banks apparently involved in fraud has caused concern in some quarters about its objectivity in investigating and apportioning blame in the affair. It has put pressure on ANZ Grindlays, through which some of the money was diverted, to set aside funds to repay Rs4bn to the National Housing Bank.

While he denied that the Reserve Bank's main aim was to recover money for its subsidiaries, Mr Venkitaraman said: "There is a conflict because we put in share capital. It is unfortunate."

The central bank should not be represented on the boards of commercial banks and there should be complete separation of ownership and regulation, he said.

In the meantime, the Reserve Bank was confident that it would trace much of the missing money.

"We know where the money has gone. We are acting on some leads, and are still confident we will be able to recover assets." He refused to say whether provision made by Standard Chartered, which has set aside £50m, was adequate.

Suharto party's majority set to slip

By William Keeling in Jakarta

INDONESIA goes to the polls tomorrow to elect a new parliament with the ruling Golkar party, in power since its formation in 1971, certain to win but probably with a reduced majority. Nevertheless the make-up of the parliament will be an important indication of President Suharto's popularity in the run-up to presidential elections next March.

In the last election in 1987 Golkar won 73 per cent of the vote and the officials of the two opposition parties, the Indonesian Democratic Party (PDI) and the United Development Party (PPP), admit they have no chance of power.

The parliament has little effective control over the presidency. Since President Suharto assumed power in 1965, the parliament has neither initiated, nor blocked, a single piece of legislation.

The 400 members elected tomorrow will be joined by 100 members nominated by the armed forces.

Nevertheless, the month-long election campaign has not been devoid of incident. Last week the PDI, which won 11 per cent of the vote in 1987 and which has its roots in the nationalist movement of former President Sukarno, mobilised up to 3m supporters, out of a 100m electorate, at a rally in Jakarta.

The rules of the campaign, however, have restricted hard political dialogue. Parties are not allowed to campaign on religious issues, which has made life difficult for the PPP, an amalgam of Islamic groups which took 16 per cent of the vote in the last election.

Other banned topics include the dominant role of the small ethnic-Chinese community in the economy, and anything which might question national unity.

Mr Witoelar argues that public debate of sensitive issues would invite political instability, even a re-run of 1965 when up to 500,000 people were killed in the aftermath of a failed communist coup.

One issue that has broken through has been alleged nepotism within government, and criticism of the business interests of President Suharto's children. Two of his sons run companies which enjoy monopoly rights over buying and selling certain farm produce.

Golkar supporters are preparing themselves for a reduction in their majority, perhaps to 68 per cent. A fall below that figure would embarrass President Suharto in advance of the presidential elections in which he is expected to stand for a sixth five-year term.

The question of who could succeed the 71-year-old president is itself becoming a sensitive issue. President Suharto has in the past attracted all-party support for his nomination, but the PDI has suggested it might put forward an alternative candidate.

Although his re-election should still be guaranteed – the presidential electoral college includes all members of parliament, plus another 500 members chosen by the president – much will depend upon the support of senior army officers with which the president has not always agreed.

Nigeria's influential finance minister goes

By Michael Holman

NIGERIA'S influential finance minister, Alhaji Abubakar Alhaji, has been appointed high commissioner to Britain, and Mr Jibril Aminu, the oil minister, has resigned voluntarily, the country's military government announced at the weekend.

Nigerian officials said in Lagos last night that neither move signalled a significant change in government policy. But they declined to elaborate on the reasons for the changes. Initial speculation has linked the departure of the two men with recent violence in Lagos and Kaduna, blamed partly on fuel shortages and deteriorating economic conditions.

There have long been suggestions, however that Mr Aminu, 52, was planning to resign and stand for president in the election scheduled for December 5, the last stage in the phased handover to civilian rule.

He is replaced by Mr Chu Okongwu, a former budget and planning minister and currently minister for special duties.

More striking is the move to London by "Triple A", the

"Triple A": formidable negotiator

widely used nickname for the former finance minister, who is succeeded by Mr Ahmed Abubakar, the Finance Ministry's director general (permanent secretary).

It would be uncharacteristic of him to treat the job as a sinecure, associates said yesterday, noting that he would be well placed to follow Nigeria's talks with western creditors. But they added that it seemed unlikely that he could exercise the same influence on policy making.

A former permanent secretary and minister of budget and planning, he became increasingly influential after General Ibrahim Babangida seized power in 1985.

Triple A played a leading role in the implementation of the country's structural adjustment programme. With a combination of belligerence and charm, a shrewd understanding of western financial institutions, and a disarming capacity to quote from the classics of English literature, he won an international reputation as a formidable negotiator in his dealings with the International Monetary Fund (IMF), and in rescheduling Nigeria's external debt to government and commercial bank creditors.

He also emerged as a powerful but controversial figure in the politics of Nigeria's mainly Moslem north. With Gen Babangida's backing, he was installed last year as the Sardauna of Sokoto, entrenching his leading position in the Moslem hierarchy.

His popularity within Nigeria has steadily diminished as economic hardship increased, the state's financial management deteriorated, and the Babangida government faced allegations of widespread corruption.

VOTING WITH THE HERD: Election officials in Azerbaijan took the ballot boxes to the voters yesterday in the case of herdsmen unable to leave their sheep. The presidential election result could herald the unravelling of the Commonwealth of Independent States (CIS) and a decisive phase in the war with Armenia, Reuter reports from Baku. The Popular Front leader, Mr Abulfaz Elchibey, the likely election victor, wants Azerbaijan to leave the CIS and UN peace-keepers on the Armenia border. Under Mr Elchibey, this oil-producing Transcaucasian nation would lean towards Turkey in its foreign policy, pursue free-market reforms and take a cautious line on Nagorno Karabakh.

NEWS IN BRIEF

Tokyo tussle over UN peace force bill

JAPANESE opposition parties have held up passage of the controversial United Nations peacekeeping bill by a marathon display of filibustering, culminating in a slow voting technique called the "ox-walk", writes Stefan Wagstyl in Tokyo.

Exhausted members of the Diet's upper house were last night preparing for a fourth consecutive all-night session as party leaders argued over the bill, which would allow Japanese troops to join UN peacekeeping operations. The bill has divided the country, with supporters wanting Japan to play a bigger world role and opponents fearful of expanding the military's role. The ruling Liberal Democratic Party, which forced the bill through the Diet's lower house last year, hopes today to overcome intense opposition in the upper house from left-wing parties.

OAS talks of Haiti action

SEVERAL members of the Organisation of American States are considering military intervention in Haiti, after the failure of diplomatic efforts and an economic embargo to secure the return to office of ousted president Jean-Bertrand Aristide, writes Canute James in Kingston.

According to diplomats, several Caribbean and Latin American countries are discussing "surgical and selective strikes" in Haiti by a multinational force. The intention would be to "weaken the resolve" of the Haitian military to hold on to power. But President Bush said yesterday he was not yet thinking about using force and hoped sanctions could be made effective.

Lebanese economy weakens

The Lebanese economy deteriorated sharply in the first third of 1992, the Beirut Chamber of Commerce and Industry reported at the weekend, writes Lara Marlowe in Beirut.

Researchers cited decreased activity in most economic sectors, capital flight after a wave of rumours about some banks, postponement of foreign reconstruction aid and a fall in the value of the Lebanese pound. Bank deposits in Lebanon fell to $5.8bn in March compared with $6.2bn in March 1991. The central bank's foreign exchange reserves, which stood at $1.234bn at the end of last year, fell to $690m in March because the bank had tried to shore up the Lebanese pound.

World car sales to grow 1.3% in 1992

By Kevin Done, Motor Industry Correspondent

WORLD car sales are forecast to grow by 1.3 per cent to 34.6m this year following a 2 per cent drop in 1991, which was the largest reduction in sales since the economic recession of 1980-81.

According to DRI Europe, the UK-based automotive analysts, car sales are now recovering in North America, the UK and Spain and remain strong in Italy and in Latin America.

The German market is forecast to fall sharply this year, however, by around 11 per cent to 3.7m from the record 4.2m achieved last year in the wake of reunification. Sales are also forecast to fall further in Japan.

The decline in the German market will eliminate the volume gains achieved elsewhere in Europe leading to a 1 per cent fall in overall west European new car sales in 1992 to 13.4m.

The DRI report is optimistic about growth in new car demand from 1993 and beyond and forecasts a 20 per cent rise in new car sales worldwide in the five years from 1991 to 41m in 1996.

WORLD CAR SALES FORECAST (000's)*

	1991	1992	1993	1994	1996
WORLD TOTAL	34,202	34,649	36,746	38,143	40,464
Germany	4,158	3,687	3,471	3,552	3,748
Italy	2,340	2,324	2,256	2,287	2,400
France	2,031	2,167	2,283	2,369	2,457
UK	1,592	1,697	1,894	2,008	2,267
Spain	887	997	1,095	1,197	1,311
EC total	12,589	12,440	12,582	13,034	13,878
West Europe total	13,526	13,391	13,584	14,100	15,022
US	8,373	8,695	9,805	10,032	10,047
Japan	4,868	4,674	4,814	4,970	5,215
South Korea	745	836	919	993	1,132

WORLD CAR PRODUCTION FORECAST (000's)*

	1991	1992	1993	1994	1996
WORLD TOTAL	34,266	34,958	37,053	38,339	40,745
Germany	4,659	4,652	4,541	4,574	4,727
France	3,167	3,118	3,404	3,476	3,587
Spain	1,773	1,730	1,806	1,858	2,000
Italy	1,634	1,627	1,580	1,695	1,755
UK	1,236	1,390	1,691	1,778	1,999
EC total	12,826	12,966	13,464	13,867	14,739
West Europe total	13,103	13,179	13,815	14,266	15,171
US	5,733	6,238	6,702	6,798	7,051
Japan	9,753	9,618	9,882	10,005	10,243
South Korea	1,128	1,268	1,429	1,551	1,681

*1991 actual, 1992/96 forecast.

Source: DRI World Automotive Forecast Report.

Sales in west Europe are forecast to rise to a record 15m in 1996, while car sales in the US are expected to rise by 4 per cent this year to 8.7m and to more than 10m by the mid-1990s.

The downturn in Germany, the biggest single market in Europe, is forecast to bottom out in 1993 at 3.5m, some 16 per cent or 700,000 cars below the 1991 peak with demand recovering from 1994 to reach 3.8m in 1996.

After growing by 38 per cent between 1988 and 1990 Japanese new car sales fell by 5 per cent last year to 4.9m. The DRI report forecasts that demand will weaken further this year by 4 per cent to 4.7m but will recover in 1993 to reach more than 5m again in 1995.

According to the DRI study new car sales in the European Community will grow from 12.6m in 1991 to 13.9m in 1996 with Japanese car manufacturers capturing around 30 per cent of the growth.

The Japanese share of EC car sales is forecast to rise from 10.9 per cent in 1991 to 12.5 per cent in 1996. Japanese penetration is expected to grow in most EC markets but above all in the UK, where the Japanese share is expected to rise from 11.6 per cent in 1991 to 16.9 per cent in 1996.

The capacity of Japanese car plants in Europe will probably exceed 700,000 units a year in 1996.

In the UK the new Nissan Micra, Toyota Carina and Honda Synchro all start production this year. DRI forecasts that Japanese car production in the UK will rise to more than 600,000 in 1996 pushing UK car output to 2m, which would be 60 per cent or nearly 800,000 units above the 1991 level.

DRI says that after a weak recovery this year to 1.7m from 1.59m in 1991 new car sales in the UK will grow more strongly in 1993 by 12 per cent to 1.9m.

The market is forecast to be above 2m again in 1994 but will not have recovered its 1989 peak of 2.3m until 1996.

DRI World Automotive Forecast Report. DRI, Wimbledon Bridge House, 1 Hartfield Road, London, SW19 3RU. £2,500.

Advertising market grows as it fragments

As European media outlets increase, users must decide which one is best for them, reports Gary Mead

THE EUROPEAN MARKET

SOME $53bn will be spent on display advertising in 16 countries of the European Economic Area (EC plus Efta countries) this year – fast catching up with the $59bn US market.

But though the European display advertising market is becoming as important as the US for big international advertisers, significant differences between the two – the lack of a fairly homogeneous culture and common language – mean would-be pan-European advertisers face more problems in hitting their target audiences than in the US.

Moreover, increasing media fragmentation in Europe – a pattern well established in the US – is giving advertisers and media buyers more headaches. And finally, the European market has the extra frisson of an increasing concentration of media ownership.

Four different groups tussle over the $53bn (£29bn) cash pool: the owners of the media where the ads appear; the advertising agencies who make the ads; the media buyers who buy the space; and the advertisers themselves, who want better-targeted advertising space for the same, or less, cost. In the European market, advertising expenditure is unlikely to grow by more than 2 per cent in real terms this year. That slow growth is putting a squeeze on everyone.

For both media owners and media buyers it is becoming more important to know what type of consumer sees the media concerned; only through more refined targeting can both sides continue to persuade advertisers to use them, rather than a competitor. The piggy-in-the-middle, an advertiser – particularly of fast-moving consumer goods – requires increasingly sophisticated advice about where and when to place the advertising: without careful market analysis, money could disappear down the drain.

In the last decade the European media market has witnessed a proliferation of new outlets; in 1981 there were just 39 television channels, but by last year that had exploded into 66 national terrestrial stations, 82 satellite channels and another 700 regional and local channels (650 of those in Italy alone). Across the EEA there are business plans for 40 more.

While satellite television is so far taken by only 3 per cent of European households, cable television has reached 19 per cent of them – though in France, Italy, Spain and the UK penetration is less than 3 per cent. The domestic video recorder has spread to more than half (from a standing start in 1978) and 60 per cent have remote controls; consumer viewing choice is greater, faster, easier.

Advertisers have a glut of outlets elsewhere, too. There are now 10,000 different consumer magazine titles in the EEA, 4,200 paid-for and 4,300 free-distribution newspapers. But both magazines and newspapers have seen their share of advertising revenue drop over the decade: from 26 to 22 per cent for the former and from 39 to 30 per cent for the latter.

If media fragmentation is a cause for alarm for media owners anxious to keep their share of advertising revenues, it plays into the hands of media-buying specialists such as Carat, the largest in Europe, which this year will take some 12 per cent of the market.

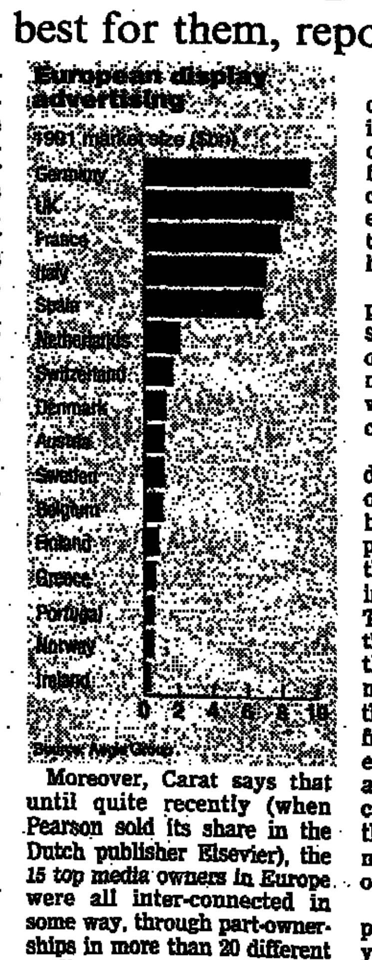
Mr Peter Scott, chief executive of Carat, says: "Fragmentation of the media is going to create more choice, more competition, more complexity and therefore a greater need for research and computer techniques in order to be able to find out where the audiences are. In the US, Warner delivers 150 different channels in some areas of New York. How do you as an advertiser know where to go?" Carat is spending $20m this year on researching that problem.

At the same time as a swing towards more media outlets, media ownership across Europe is also becoming concentrated in fewer hands.

Europe's largest independent media buyer, Carat (part of the Aegis group), has recently published research which indicates that 44 per cent of television advertising spending – about $16bn – went to just five European television groups in 1991; 69 per cent of all advertising was snapped up by the top 20 individual channels.

In Italy, with a 1991 advertising market of $7bn, Mr Silvio Berlusconi's Fininvest group is now estimated to have some 50 per cent of all advertising revenues.

European publishing is becoming similarly concentrated. In 1991 eight of the big publishers took 35 per cent of of all magazine advertising in the five biggest European markets.



Moreover, Carat says that until quite recently (when Pearson sold its share in the Dutch publisher Elsevier), the 15 top media owners in Europe were all inter-connected in some way, through part-ownerships in more than 20 different media outlets, television, radio and publishing.

Such concentration of media ownership is also concentrating the minds – and actions – of buyers. Last year, for the first time, more than 50 per cent of all display advertising expenditure was channelled through specialist media space-buyers.

Carat is convinced that, as pan-European media ownership concentrates while the outlets become more fragmented and niche-like, buyers will have to become more specialised.

Mr Scott is therefore confident about the future of his own and other media-buying businesses, at the cost of European media owners: "Overall, the cost of advertising is coming down rather than going up. The massive media inflation of the 1980s is now tailing off, and the inherent profitability of media owners must be under threat; the power has shifted from media owners to advertisers and media buyers. An advertiser and media buyer can now achieve the same thing by going elsewhere, if media owners try to charge outrageous rates.

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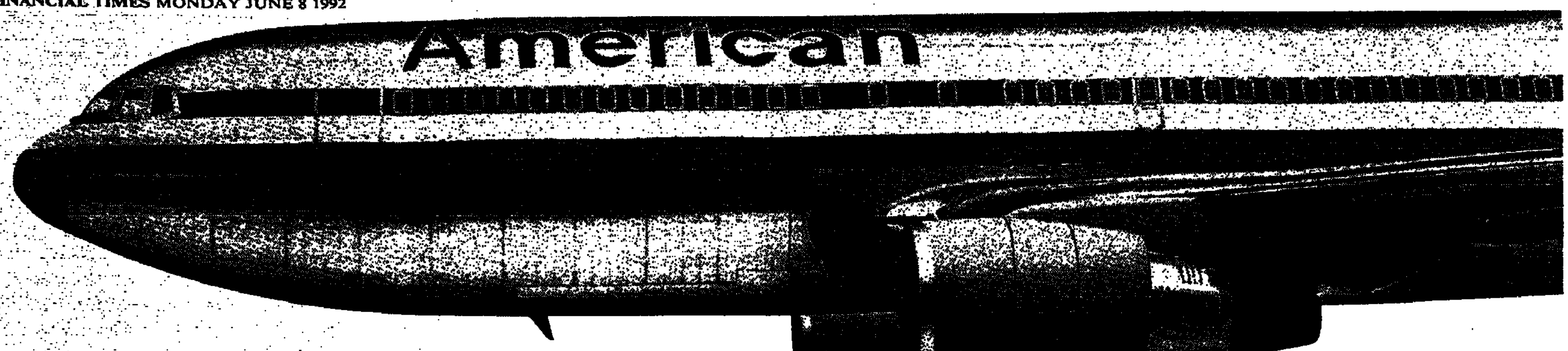

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Protection of bio-diversity sparks Rio controversy

Earth Summit suggestions about the sharing of technology have upset the US, report **David Lascelles** and **Christina Lamb**

THE US's refusal to sign the Earth Summit treaty on biological diversity, and the doubts expressed by other countries such as the UK and Japan, have made this much the most controversial document at Rio. It is also one of the more complex because it covers new areas such as patent rights on bio-technology.

The purpose of the treaty is to create measures to protect the diversity of plant and animal life on the planet and prevent potentially valuable species being wiped out before they have even been discovered. Scientists estimate that there are at least 10m species in existence, of which only 1.4m have yet been identified, and say we are losing as many as 75 each day.

About half of the treaty consists of worthy measures which cause little difficulty: establishing protected areas, conserving eco-systems, aiming for sustainable development. One important principle is that all countries have the right to exploit their bio-diversity, but must not damage the environments of other states.

The US objection centres mainly on the section dealing with bio-technology. In some ways it is misleading to call it simply the bio-diversity treaty. The treaty makes clear that one of its objectives is to give all parties access to genetic resources, and also to the technology to exploit them.

This is a tricky area because it is mainly the Third World countries which have the bio-diversity, but the industrial countries which have the know-how to transform it into something of commercial value.

Developing countries have been demanding access to bio-technology on preferential terms, backed by aid from the wealthier nations. But the US, in particular, has been resisting any suggestion that the treaty imposes a duty on industrial countries to share their technology, or give it away. Washington insists that the private sector, and not governments, has control of this.

Moreover the treaty leaves open the door for countries to patent genetic material and charge royalties for its use, thus reducing the profitability of the multinational pharmaceutical companies which develop them into saleable products. Mr Marcos Azambuja, Brazil's chief negotiator, says the treaty will keep intellectual property lawyers in work for years. "If the bark of a tree in Piaui [a state in northern Brazil] is found to have certain valuable properties, is that a Brazilian asset? Do we allow others to share it and can we charge royalties if someone synthesises it?"

US worries on these issues were graphically highlighted in the leaked memorandum which Mr William Reilly, head of the US Environmental Protection Agency, sent to the White House last week proposing changes which might make the treaty more acceptable.

One of the treaty clauses, for example, says countries should co-operate on patents and intellectual property rights in both the letter of the law and the spirit of the treaty. The US wanted the section on the spirit of the treaty removed.

"We would have hoped that the negotiations would have confined themselves to the issue of protecting flora and fauna," said Mr Reilly. In fact it was the US which was initially pushing for this treaty until it realised that it would incorporate bio-technology as a trade-off for developing countries to conserve their eco-systems.

Since catering to US objections would have involved re-opening the treaty – something which is now too late – Washington has been unable to sign it even though Brazilian President Fernando Collor implied in a speech last week that the treaty could be later modified.

The US is the only country which has expressed these worries quite so strongly. But Mr Reilly claims "many countries share our fears but for their own political reasons don't have the nerve to come out publicly and say so". Other countries have admitted their concern privately that the treaty includes a "blank cheque" which would commit the rich countries to pour limitless technology and financial resources into the Third World.

This arises because the treaty says the amount of money needed to make it work will be decided by a "conference of the parties" – the signatories. Since there are likely to be far more recipient country signatories than donor countries, the latter could easily be outvoted.

The UK and Japan are among those worried on this score. But both are likely to sign the treaty if it is made clear that the troublesome clause refers to money which is needed as opposed to money which must be provided.

A further controversy arose from a French proposal that countries draw up lists of species. Although the idea of a global catalogue is appealing, many countries objected because they feared that once a species was put on a list it would become protected and unexploitable. The idea was dropped, but France has said it will continue to explore it in other ways.

Showpiece document pleases nobody much

By David Lascelles in Rio de Janeiro

THE Rio Declaration, which world leaders will sign at the end of the summit, is supposed to be the showpiece of the event. Unfortunately, virtually everybody thinks it is a flabby document, but no one wants to be the first to pull it apart.

It consists of 27 principles enshrining what participants believe are the tenets of sound planetary management. Some are obvious: the first says human beings "are entitled to a healthy and productive life in harmony with nature". Others lay down key objectives, like sustainable development. Principle 3 reads: "The right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations."

A third set reflects the tough negotiations that went into it. For example, Principle 2 recognises countries' rights to exploit their own natural resources, a point which Third World states, particularly the tropical hardwood growers, wanted in. But this right is balanced by an equal obligation to ensure that "activities within their jurisdiction or control do not cause damage to the environment of other states".

Others stress the need to eradicate poverty and aid developing countries. In Principle 7, the industrial countries acknowledge a special responsibility "in view of the pressures their societies place on the global environment".

Free trade, more information, better environmental legislation, women's rights, proper compensation for pollution victims – these are some of the themes.

The main reason why the declaration is so flawed is that it was a compromise from the start. Originally, there was to be an "Earth Charter", a kind of crisp 10 commandments in simple language. That was thrown out because every country wanted to shade or add to the commandments to protect its own interests. The declaration prepared instead is a highly political document dressed up in UN bureaucratese, so finely balanced that to alter even one comma might upset it.

"We're not enthusiastic about it. We'd like to see an Earth Charter which would be sharper, more focused and more accessible," says Mr Jean Charest, the Canadian environment minister.

Other participants have more specific criticisms. The Israelis are cross about Principle 23, which refers to "people under occupation", and the Vatican is opposed to Principle 8, which talks about "demographic policies".

The question, though, is whether anyone will demand that the agreed text be re-opened. Everybody understands that the fine balance means changes to one part would require changes to others, setting off a chain reaction which could destroy the whole document. "I believe it would be a mistake to re-open the Rio declaration," says Mr Klaus Töpfer, the German environment minister.

US Environmental Protection Agency administrator William Reilly takes a nap on a flight to Rio

Much could however hinge on the US position. Mr William Reilly, the administrator of the Environment Protection Agency, says: "No country is fully satisfied with it. We would have liked a different thing. We have not decided yet whether to seek a reopening."

The US does not like the parts which lay blame for environmental damage. It also objects to a section which refers to the "right to development". This could put economic rights above human rights, it fears, leading in extreme cases to child labour.

Keeping up the pressure

DIARY

What happens after Rio is all over? Will the participating countries just disperse and forget all about it, or will someone be keeping up the pressure for action on the environment?

The main proposal – for which there is growing acceptance – is for a Sustainable Development Commission which would be part of the UN. This would be similar to the UN Commission on Human Rights: it would monitor countries' record on environmental protection, and apply "peer group pressure" to those who lagged behind.

The Commission would report to the Economic and Social Council, which reports to the General Assembly, and would have over 50 members.

The exact details will be decided by the General Assembly in the autumn.

□□□

Mother Nature is delivering her own message to the Earth Summit. Any doubts that delegates might have about global warming have been dispelled by a sweltering heat wave which has engulfed Rio. Even though it is supposed to be mid-winter, temperatures yesterday soared past 40 degrees Celsius, far above the seasonal norm. Some delegates took the opportunity of the Sunday break to snatch moments at the beach – where they must have ruminated about the dangers of climate change.

□□□

Pollution can be caused by many things – including war. Invasion-ravaged Kuwait has a specially poignant message for the summit. Its delegation office is decked in grisly posters of burning oil wells, shattered homes and oil-covered beaches.

The tiny oil state has brought a relatively large contingent of 50 people, including consultants and scientists, who are pushing the message that Kuwait is on the mend.

"We want people to know what happened during the invasion, and also after the liberation," says Dr Abdulwahad Alfouzan, the minister of health.

Only a few steps away from Kuwait's expansive office stands Iraq's much more modest one-room presence. It contains a large picture of President Saddam Hussein. But while the Emir of Kuwait will be coming at the end of this week for the ceremonial signing, Mr Saddam, sensing he would not be enormously welcome, has dispatched foreign minister Tariq Aziz instead.

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The Brazilian Indians' claim that they know what is best for the jungle led to some consternation in Rio over the weekend when a well-known Indian spokesman appeared in the parallel non-governmental conference trying to sell a large spotted jaguar skin. Mario Juruna said he had killed the 8-foot animal and was determined to sell it, adding: "If Indians were free they would sell alligators, wild cat and other skins."

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

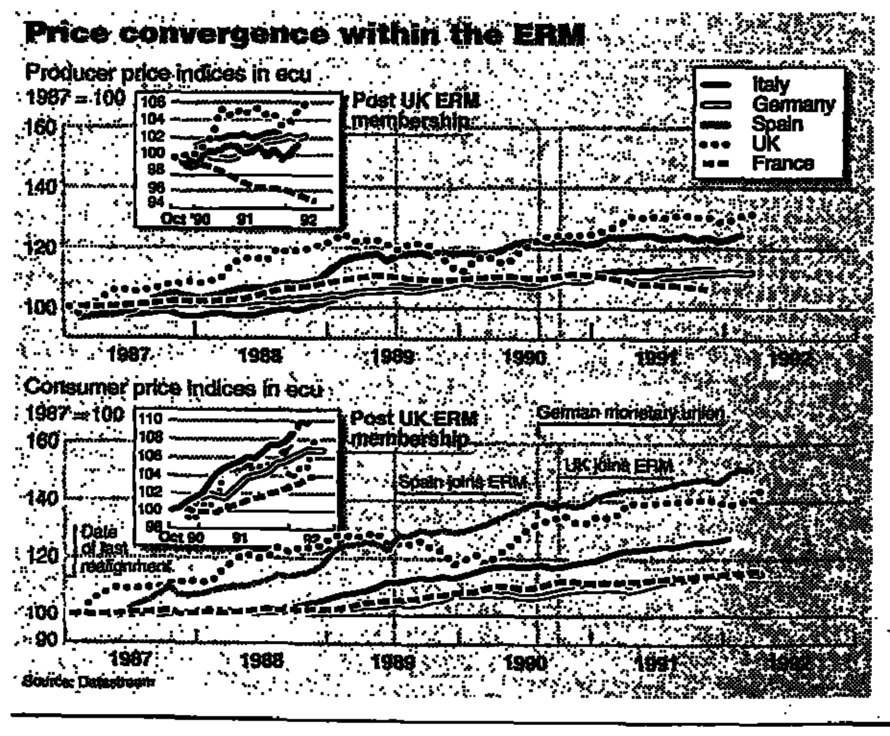
Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES					JAPAN				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.0	99.4	77.1	100.8	95.3	101.4	103.3	125.7
1987	105.6	100.7	104.0	96.7	64.7	101.2	92.5	103.1	100.6	126.9
1988	109.9	103.2	107.0	98.1	59.9	102.2	92.3	107.8	96.2	137.4
1989	115.2	108.5	110.0	96.9	63.0	105.0	94.2	114.0	96.1	131.3
1990	121.5	113.8	114.0	100.9	55.6	108.2	95.7	120.1	98.2	116.1
1991	126.6	116.3	117.0	103.6		111.8	97.3	124.4	101.7	
2nd qtr.1991	4.8	3.4	2.9	2.7		3.1	2.3	4.3	3.0	
3rd qtr.1991	3.9	1.9	3.2	2.6		3.3	1.7	3.3	4.0	
4th qtr.1991	3.0	−0.2	2.9	1.8		3.2	0.0	3.2	6.0	
1st qtr.1992	2.9	0.3	2.3	0.3		2.1				
May 1991	5.0	3.5	3.5	3.0	n.a.	3.0	2.4	4.0	2.0	n.a.
June	4.7	3.5	2.6	2.8	n.a.	3.3	2.2	4.6	4.0	n.a.
July	4.4	2.9	3.5	2.5	n.a.	3.4	2.0	1.9	3.0	n.a.
August	3.8	2.0	3.5	2.9	n.a.	3.5	1.9	6.5	5.0	n.a.
September	3.4	0.8	2.6	2.5	n.a.	3.0	1.1	2.9	4.0	n.a.
October	2.9	−0.1	2.6	3.0	n.a.	3.1	0.3	2.8	8.1	n.a.
November	3.0	−0.5	3.5	1.8	n.a.	3.6	−0.1	2.7	6.0	n.a.
December	3.1	−0.1	2.6	0.7	n.a.	3.0	−0.1	3.5	5.9	n.a.
January 1992	2.6	-0.5	1.7	0.7	n.a.	2.1	−0.6	4.6		n.a.
February	2.8	0.4	2.6	0.3	n.a.	2.2	−0.6	1.2		n.a.
March	3.2	0.9	2.6	−0.2	n.a.	2.1				n.a.
April	3.2	0.9	2.5	0.2	n.a.	2.8				n.a.

	GERMANY					FRANCE				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	104.0	104.0	111.3	102.5	97.2	104.5	101.5	101.9
1987	100.1	95.1	108.0	107.0	126.0	105.9	97.8	107.8	103.0	102.1
1988	101.4	98.2	113.0	107.0	128.2	108.8	102.8	111.1	104.0	99.3
1989	104.2	99.3	117.0	108.0	122.6	112.6	108.4	115.4	106.0	95.8
1990	107.0	101.0	124.0	110.0	126.8	116.4	107.1	120.6	110.3	100.6
1991	110.7	103.4	132.0	115.0		120.0	105.8	125.7		
2nd qtr.1991	3.1	2.2	n.a.	2.4		3.2	−0.7	n.a.	4.5	
3rd qtr.1991	4.1	2.8	n.a.	4.9		3.0	−1.5	n.a.	4.5	
4th qtr.1991	3.9	2.4	n.a.	6.9		2.9	-3.6	n.a.		
1st qtr.1992	4.3	2.0	n.a.			3.1		n.a.		
May 1991	3.0	2.2	–	3.5	n.a.	3.2	n.a.	–	n.a.	n.a.
June	3.5	2.3	6.4	3.6	n.a.	3.3	n.a.	4.2	n.a.	n.a.
July	4.4	3.3	–	2.8	n.a.	3.4	n.a.	–	n.a.	n.a.
August	4.1	2.7	–	8.4	n.a.	3.0	n.a.	–	n.a.	n.a.
September	3.9	2.6	6.4	5.5	n.a.	2.6	n.a.	4.3	n.a.	n.a.
October	3.5	2.3	–	8.4	n.a.	2.5	n.a.	–	n.a.	n.a.
November	4.2	2.5	–	5.4	n.a.	3.0	n.a.	–	n.a.	n.a.
December	4.2	2.6	6.3	9.0	n.a.	3.1	n.a.	4.1	n.a.	n.a.
January 1992	4.0	1.6	–	4.5	n.a.	2.9	n.a.	–	n.a.	n.a.
February	4.3	2.0	–	3.6	n.a.	3.0	n.a.	–	n.a.	n.a.
March	4.8	2.5			n.a.	3.2	n.a.		n.a.	n.a.
April	4.6	1.9			n.a.	3.1	n.a.		n.a.	n.a.

	ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.6	101.4	103.4	104.3	107.7	104.5	92.9
1987	111.0	103.2	111.6	105.6	102.5	107.7	108.3	116.3	105.9	90.6
1988	116.5	108.6	118.4	109.7	101.9	113.0	113.2	126.2	108.9	96.8
1989	124.2	113.1	125.6	112.2	109.2	121.8	119.0	137.2	113.8	95.0
1990	131.8	117.8	134.7	120.1	117.2	133.3	126.0	150.1	123.3	98.3
1991	140.2	121.7	147.9			141.2	133.0	162.4	133.5	
2nd qtr.1991	6.8	3.9	9.8	11.4		6.0	5.9	8.5	10.6	
3rd qtr.1991	6.4	3.1	10.7			4.8	5.5	7.8	7.0	
4th qtr.1991	6.1	2.1	10.6			4.2	5.0	7.8	5.1	
1st qtr.1992	5.7		9.2			4.1	4.5	8.6	4.5	
1991 May	6.8	3.8	10.4	n.a.	n.a.	5.8	5.9	8.3	10.8	n.a.
June	6.8	3.8	10.3	n.a.	n.a.	5.8	5.7	8.0	8.7	n.a.
July	6.7	3.8	10.4	n.a.	n.a.	5.5	5.7	7.6	6.9	n.a.
August	6.3	2.9	10.9	n.a.	n.a.	4.7	5.5	8.3	7.9	n.a.
September	6.2	2.6	10.8	n.a.	n.a.	4.1	5.4	7.5	6.1	n.a.
October	6.1	2.2	10.8	n.a.	n.a.	3.7	5.0	8.3	6.5	n.a.
November	6.2	2.3	10.7	n.a.	n.a.	4.3	5.1	7.8	4.1	n.a.
December	6.0	1.9	10.4	n.a.	n.a.	4.5	4.8	7.2	4.7	n.a.
1992 January	6.1	1.3	9.4	n.a.	n.a.	4.1	4.6	7.6	5.0	n.a.
February	5.3		9.1	n.a.	n.a.	4.1	4.4	7.8	2.8	n.a.
March	5.6		9.1	n.a.	n.a.	4.0	4.5	10.4	5.7	n.a.
April	5.6			n.a.	n.a.	4.3	3.8			n.a.

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.



The exchange rate as a distorting price control

THE RESULT of the Danish referendum on the Maastricht Treaty throws greater doubt on the prospects for economic and monetary union. If Emu is less likely, hopes of European monetary stability depend on the durability of the ERM. It has survived without a general realignment for almost 5¼ years. Can it continue to do so?

The underlying rationale for reliance on a fixed exchange rate as a means of controlling inflation is "the law of one price". This states that goods and services that compete closely with one another cannot sell for very different prices. Since the proportion of the economy open to international competition in the larger European countries would amount to about a third, the ERM should be viewed as basically a selective price control.

Yet it appears to be an effective one. Consider producer prices, which are the best indicator of the prices of tradable goods. The top section of the chart shows that since January 1987, the Ecu-denominated producer prices of Germany, France and Italy, all members of the ERM throughout that period, have moved together closely. By contrast, those of Spain, which joined in June 1989, and the UK, which joined in October 1990, deviated considerably, as exchange rates shifted.

Convergence of producer prices is not an iron law, especially over shorter periods. The small inset in the top section shows that since October 1990 producer prices have fallen by some 5 per cent in France, but risen by slightly more than that in the UK. For the UK, this does mean a disturbing loss of competitiveness.

A partial price control is likely to create distortions: the more effective the price control, the more serious the distortions. Among symptoms of too low a relative price – and so profitability – of tradable *vis à vis* non-tradable output (a relationship also known as the real exchange rate) might be a current account deficit during a recession, as in the UK today.

An indication of the shifts in the relative prices of non-tradable goods and services *vis à vis* those for tradable goods and services is the movement in consumer prices, which includes marketed services, as against producer prices.

- German producer prices in Ecus rose 12 per cent between January 1987 and March 1992, while its consumer prices rose 16 per cent, for a relative rise in consumer prices of only 3 per cent.
- UK producer prices had risen 31 per cent by March 1992, while consumer prices had risen 40 per cent, for a relative price rise of 7 per cent.
- French producer prices had risen only 6 per cent by the last quarter of 1991, while consumer prices had risen 14 per cent, for a relative price rise of 8 per cent.
- Italian producer prices had risen 13 per cent by January 1992, while consumer prices had risen 27 per cent, for a relative price rise of 13 per cent. Finally,
- Spanish producer prices had risen 24 per cent by February 1992, while consumer prices had soared 53 per cent, for a relative price rise of 22 per cent.

Judged by Ecu producer prices, the UK has suffered the largest loss of competitiveness since 1987. But Spain, followed by Italy, has suffered from the largest apparent distortion in its internal relative prices. Even so the data do not demonstrate this distortion. A country with relatively high productivity growth in tradable output would experience a sharper rise in the relative prices of non-tradable goods and services. The same would happen to a country with large net capital inflows.

Productivity growth is definitely not an adequate explanation for what has happened to Italy, where productivity in manufacturing has grown more slowly than in France and Germany in recent years. By contrast, both productivity growth in manufacturing and capital inflows have been relatively high in Spain.

The nominal exchange rate is just a partial price control and, like any price control, can create internal distortions. In Italy, and perhaps Spain as well, it seems to be doing precisely that, with ominous implications for exchange rate stability.

Martin Wolf

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Ministers confident that working-time directive will not be imposed

UK hopeful on EC hours rule

By David Goodhart, Labour Editor

UK GOVERNMENT ministers are confident that the new uncertainty about the Maastricht treaty makes it unlikely that the disputed working-time directive will be imposed on the UK when employment ministers meet on June 24.

The directive, which includes the proposal for a maximum working week of 48 hours, averaged over three months, has been delayed by UK objections. It was expected the directive would be forced through at the meeting. Britain cannot veto it as it is being introduced under EC health and safety legislation and needs only a qualified majority to become law..

The directive has been amended in several areas to accommodate UK objections but is still unpopular with the government.

Department of Employment officials say that the government will either abstain or vote against at the meeting.

After the Danish referendum result, however, British ministers are more optimistic that other EC countries which support the directive will not want to be seen to be imposing an important measure, for fear of inflaming more hostility to European integration.

That means that if the directive is to be accepted at all, the UK proposal that no worker can be forced to work more than 48 hours but may do so if he or she wishes, will probably have to be accepted by several countries – particularly France – that wanted something tougher.

The Portuguese presidency of the EC is still expected to want an agreement on the working-time directive on June 24, but will now have to ensure that it is watered down enough for the UK not to vote against.

If that is not possible, a decision may be delayed again. The UK would then argue that the issue should be dealt with in the "social chapter" which 11 countries, excluding the UK, agreed at Maastricht.

Prior to the Danish referendum, the social chapter had been due to come into force next year.

Those countries which are keen on the directive might argue that due to the uncertainty surrounding the social chapter, the working-time directive may be all that can be achieved for the social dimension in the short-term, and that UK objections should therefore be ignored.

Banker sees scope for cut in UK interest rates

By Daniel Green

UK interest rates could fall further if Japanese shares continue to weaken, according to a senior economist at Lloyds Bank.

Cheaper shares would encourage the Japanese authorities to cut interest rates in order to ease the pressure on banks, which are struggling to cope with falling asset values and bad debt.

Mr Sheldon Warton-Woods of Lloyds Bank argues that other countries would then reduce their interest rates in order to avoid a sharp weakening of the yen, which would help Japanese exporters.

However, Mr Warton-Woods said this effect would be felt more strongly in the US than in Europe, where the interest rate policy of the German Bundesbank is dominant.

Tokyo's Nikkei Dow index fell to a six-year low in April, although it has recovered slightly since then.

Japan has low inflation and could afford to cut interest rates to boost investment and company profits, Mr Warton-Woods writes in Lloyds Bank's monthly economic bulletin, published today.

Palace denies royal crisis

By Robert Rice, Legal Correspondent

REPORTS in the British media of difficulties in the marriage of the Prince and Princess of Wales do not pose any constitutional crisis for the monarchy, constitutional experts said yesterday.

Lord St John of Fawsley, the former Conservative cabinet minister, said that while the allegations published in The Sunday Times about the marriage based on the book, Diana: Her True Story by Andrew Morton, "cast a shadow over the monarchy and must be very upsetting for the Queen," they did not represent a constitutional crisis..

In his book, Mr Morton claims that Princess Diana attempted to commit suicide during the 1980s. The book details conversations with friends of the Princess who say her marriage is a sham and that she is convinced she will never become Queen.

Buckingham Palace would not comment on the allegations yesterday. The Princess did not co-operate over Mr Morton's book "in any way whatsoever," a spokesman said.

He denied that, in the wake of the divorce of the Princess Royal and the recent separation of the Duke and Duchess of York, the Palace's failure to refute the allegations was fuelling a constitutional crisis. "What constitutional crisis? There is no constitutional crisis," the spokesman said.

It was pointless to speculate about the effect of a divorce of the Prince and Princess of Wales, because that was a purely hypothetical situation, he added.

"I am not worried about the future of the monarchy as a result of this. Perhaps it will lead people to take a more realistic view of the monarchy as ordinary people with ordinary problems."

Mr Brian Hanson, legal officer of the General Synod, the governing body of the Church of England, confirmed that the Prince of Wales could divorce and still succeed to the throne.

"The only fetter on the heir to the throne is becoming a Roman Catholic or marrying a Roman Catholic. In theory a divorce would be possible."

BT assesses 'television by phone' service

By Raymond Snoddy

BRITISH Telecom, the UK telecommunications company, is exploring the commercial feasibility of delivering a television service to homes using existing telephone lines.

BT engineers have already demonstrated that the project is technically feasible, by transmitting good-quality pictures along ordinary telephone wires.

Mr Steve Maine, director of BT's visual and broadcast services division, is assessing the commercial implications of such an initiative and whether BT would need broadcasting partners in order to proceed.

If a choice of extra television channels could be delivered to everyone who already has a telephone, such a system could be a powerful competitor to cable television, and possibly even to satellite broadcasters.

Only one television channel can be delivered via a telephone line at a time. But if computer-controlled switching devices are installed at central points – for example, at telephone exchanges – then viewers could choose from a selection of channels.

Mr Maine believes that the first and possibly most economic use of the project would be to deliver individual feature films from a central library.

Assessing the commercial potential of television by telephone is still at an early stage, but Mr Maine has not ruled out the possibility of joint ventures with broadcasters and owners of cable television channels.

BT has over the past few years been pulling out of cable television. The company now has only a few remaining stakes, including that in the UK's pioneer cable television company, Westminster Cable.

Post Office seeks lottery role

By Michael Cassell, Business Correspondent

POST OFFICE Counters, which runs Britain's 19,000 post offices, is seeking clearance from the Department of Trade and Industry to bid for a central role in operating the planned national lottery.

The organisation, which serves 28m customers a week, believes that it can be a front-runner among competitors to help provide a nationwide network of outlets for the sale of lottery tickets.

The government is pledged to have the lottery – which is expected to raise at least £1bn a year for sport, the arts and charities – operating by 1994. It will be run on a day-to-day basis by the private sector under contract.

Competition to operate the lottery could be tough, with the national horse-race Totalisator board, known as the Tote, and the football pools promoters among possible candidates.

As the sponsoring ministry, the DTI has to agree to the Post Office Counters initiative. The Post Office's public-sector status has tended to inhibit deals with the private sector, but management is hopeful that it will be permitted to submit its proposals for participating in the lottery.

Britain in brief

Plan to speed sell-off of British Coal

The government has attempted to speed the privatisation of British Coal by increasing pressure on the electricity industry to agree a new deal with the corporation.

After months of stagnation, there are signs that the electricity generators and British Coal have agreed to work towards a deal under which generators would buy about 45m tonnes of coal a year, falling to about 30m within a few years.

PowerGen, one of the two large generators in England and Wales, will this week put an offer based on that deal to the 12 English and Welsh regional electricity supply companies. The generators will not agree to buy coal unless they can sell the electricity it generates to the regional companies.

Demonstration in Scotland

About 3,000 people took part in a march that ended in a rally outside the Conservative party's Scottish headquarters in Edinburgh on Saturday.

It was organised by Scotland United, a fringe grouping from the non-Conservative Scottish parties set up immediately after the general election to campaign for a referendum on the country's constitutional future.

However, the attendance was less than had been expected, and Mr Malcolm Bruce, departing leader of the Scottish Liberal Democrats, admitted to strategic errors before the general election.

Supervisors 'confused'

Supervisors are confused about what they do and where they fit into company structures, according to a Confederation of British Industry report published today.

The National Economic Development Office last year criticised the UK's 1m one million supervisors as badly trained, especially in comparison with those in Germany. A second study found that 96 per cent did not see improving productivity as their most important goal.

Bid to limit spending fails

Meetings called by Mr Michael Portillo, chief secretary to the Treasury, with government departments have failed to stop bids for expenditure in 1993-94 from far exceeding the government's target.

An unprecedented series of negotiations by Mr Portillo (below) appears to have trimmed the most excessive spending ambitions of cabinet members, but they have still submitted bids that together are much higher than the Treasury's £245bn planning total.

Among the departments likely to face the biggest squeeze are defence, health and environment. The Welsh and Scottish Offices have also been subject to particular scrutiny. this year.

Major urged to act over BCCI

Mr Keith Vaz, the Labour MP, yesterday urged the prime minister, Mr John Major, to intervene in negotiations between the shareholders and creditors in the collapsed Bank of Credit and Commerce International to prevent lengthy litigation.

His plea comes in advance of consideration today in the High Court of the liquidation plan prepared for BCCI by Touche Ross, the accountancy firm, which includes compensation of \$1.7bn to creditors. The plan has already been approved by the government of Abu Dhabi, the bank's majority shareholder.

Creditors have criticised the size of the settlement and have threatened to sue for higher returns.

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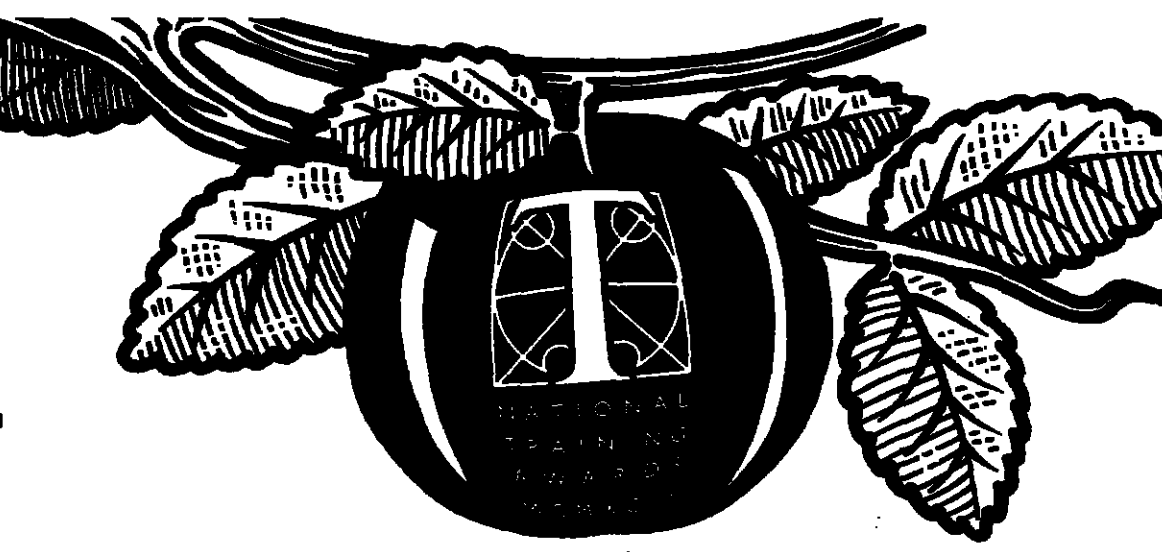

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CONSTRUCTION CONTRACTS

£34m work for Lonrho companies

The contracting divisions of Lonrho, BERNARD SUNLEY & SONS and TURRIFF CONSTRUCTION, have won UK contracts worth over £34m during recent months.

Some of the contracts won by Bernard Sunley & Sons include alterations and fitting out of offices and a new depot and industrial units at Croydon for Seeboard at a combined value of £7.1m, a sheltered housing scheme at Guildford for Guildford Borough Council valued at £3.2m, *the design* and construction of a welfare complex in London for the BBC valued at £2.1m, design and construction of a 24-lane bowling club and a bingo club at *Telford for* Barkin Development together with its fitting-out for the Rank Organisation at a combined value of £2.3m, office extension and warehouse at Enfield for JW Spear & Sons valued at £1.3m, the refurbishment of a transmission station at Potters Bar for the BBC valued at £500,000 and construction of New Gate Lodge at Luton for Vauxhall Motors valued at £500,000.

Turriff Construction's recent contracts include the construction of a mechanised letter office at Manchester for Royal Mail Property Holdings valued at £8.8m, the design and construction of a three-storey office block at Telford for London and Telford Developments valued at £2.2m, a sheltered housing scheme and conversion of 20 dwellings into 32 homes at Birmingham for Mercian Housing Association, valued at £1.9m, *refurbishment* works to a factory at Salford for Colgate Palmolive valued at £1.3m and civil works at a new substation at Newark-on-Trent for The National Grid Company, valued at £820,000.

M1 project

FITZPATRICK CONTRACTORS has been awarded a £4.84m contract on the M1 between junctions 11 and 12 by Bedfordshire County Council. The contract comprises the resurfacing of the northbound carriageway and hard shoulder and the reconstruction of the central reservation (including drainage, service ducts and lighting).

Housing the Prison Service

The new heaquarters building planned for Her Majesty's Prison Service in Derby

FAIRCLOUGH BUILDING, the AMEC Group specialist, has been awarded a £57m contract by developer Hyperion Properties, a subsidiary of NFC, for construction of a 450,000 sq ft headquarters building at Derby for Her Majesty's Prison Service.

Forming part of the Government's Common User Estate, the four-storey headquarters building will be situated at St Mary's Wharf, to the north of Derby town centre, and will provide modern air conditioned offices for up to 2,000 people, 60 per cent of whom are expected to relocate from London.

The steel-framed headquarters building with curtain wall cladding and full air conditioning has the support of the Royal Fine Art Commission and will provide maximum flexibility of office space interlinked with specialist facilities including conference rooms, dining area, fitness suite and creche.

The curtain walling on the structure, which will be Derby's largest office building, is believed to be one of the largest aluminium curtain walling contracts ever let in Europe.

Water treatment works at Tewkesbury

EDMUND NUTTALL has recently won almost £20m worth of contracts in the water industry sector. The four different projects are to be undertaken in Gloucestershire, Grampian, North Yorkshire and Northumberland.

Severn Trent Water has awarded Nuttall a contract for the civil engineering and building works associated with a GAC/ozone scheme at Mythe water treatment works, Tewkesbury in Gloucestershire. The £12.1m contract will be undertaken over a 91-week period.

The main civil engineering works consist of piled foundations for all structures, two reinforced concrete ozone contact tanks, road works and associated drainage. There are also substantial building works associated with the scheme, including other ozone production facilities, a substation and pumphouse, secondary GAC [granular activated carbon] contactors with sub and superstructures, *sedimentation* tanks/filters and various modifications to buildings.

In Scotland, Nuttall has won a £6.8m contract from the Department of Water Services, Grampian Regional Council. As part of the £25m River Spey water abstraction scheme, this 18-month first phase is to install 36 tubewells, submersible pumps and headworks, collector pipeline along the wellfield, access roads and two control buildings.

The wellfield complex will be situated some 50 - 80 metres inland from the west bank of the River Spey between Red Burn and Fochabers Bridge.

The other contracts are for effluent treatment tank bases in Cramlington, Northumberland, for Sterling Organics (£816,646) and the Briggswath river gauging station near Whitby, North Yorkshire, for the National Rivers Authority [£235,098].

£18m workload won by Wiltshier

WILTSHIER CONSTRUCTION GROUP, based in Harmondsworth, Middlesex, has gained a broad package of contracts totalling over £18m since the general election.

A £3.4m office and residential development for Balbus in Canterbury and due for completion in 1994 is the largest single project. *At Tutbury in* Staffordshire, Wiltshier has commenced work on a £2m coffee extractor building for Nestle.

Other new group contracts include a £1.9m housing project for the Ardrossan Housing Association at Ardrossan in *Strathclyde; a £1.9m contract* to fit out new offices in St Katherine's Way, London, E1 for Grieg Fester and a £1.5m project for Vodafone to build a cell site network for MCN Communications throughout the south of England.

Trafalgar House wins £30m orders

TRAFALGAR HOUSE GROUP companies have won more than £30m of work in the last *few weeks for projects* at home and abroad.

In central London, Trafalgar House Construction Management has secured two contracts together worth £18m. The Croydon-based company is to refurbish the Willis Corroon Group's five-storey corporate headquarters at 10 Trinity Square while the client is still in occupation and without disrupting its daily business.

At the BBC's Bush House headquarters in the Aldwych, WC2, work is underway to upgrade the World Services studios in the central block of *the north wing*. This project includes demolishing redundant studios, offices and continuity suites and replacing them with offices, audio workshops and studios.

The company has also been awarded the initial stages for the first phase of a £100m residential golf community in Marbella, Spain, called Altos de Los Monteros.

The regional business of Trafalgar House has been awarded orders worth almost £12m for building work at HMS Heron, HMS Warrior, RAF Lyneham and civil engineering projects in Essex, the West Country, Scotland and the Midlands.

Road design

RENDEL PALMER & TRITTON has won its second roads contract in Ghana within a few months. It has been commis*sioned to update* earlier detailed design and assist in letting the tender for an EC-funded project to build a new road along an existing 54km unpaved road alignment west of Kumasi.

The road will be useful for the timber and cocoa export industries and runs through the primary and secondary rainforest of the Brong-Ahafo region of Western Ghana. Its sub-standard alignment and propensity *to flooding* renders the road unusable at certain times of the year.

The earlier work involved evaluation and design improvements to enable the road to accommodate higher traffic volumes and heavier lorries.

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Superstore scheme in Plymouth

BOVIS CONSTRUCTION, a P&O Company, has been awarded a £7.6m management contract to build and fit out a 46,500 sq ft store for Safeway on the outskirts of Plymouth.

Bovis is breaking new ground with this project, which is being built above a series of natural springs, requiring the installation of a special geotextile membrane beneath the building.

Used more frequently on civil engineering projects, this is believed to be the first time this technique has been employed to protect a building.

The membrane (which consists of one impervious and one pervious layer) will filter the natural water as it rises, diverting it to the sides of the store, where it will then flow into special drainage channels.

Construction work has already started to excavate the 4.5 acre site to a depth of 12 ft in readiness for the membrane. Once it is in place, work will start on the single-storey steel-framed structure.

The exterior of the store will feature decorative arches, clad with Blenheim natural brick, and a flat roof finished with slate clad mansards.

Supermarket plan

CLUGSTON CONSTRUCTION has been awarded a £6.7m contract to construct a supermarket with a retail sales area of 32,000 sq ft for Morrisons at Wakefield, West Yorkshire.

The 50-week contract, which is being handled by Clugston's Leeds office, is for a building of 72,000 sq ft which includes offices plus extensive car parking facilities and landscaping.

The location is on Dewsbury Road on the outskirts of Wakefield on the site of the former Westgate Brickworks.

CONFERENCES & EXHIBITIONS

JUNE 12
European Economic Information
Half Day: 9.00 - 1.00pm
Content: A half-day seminar to be held at London Business School. Key speaker: Prof. David Currie, LBS Centre for Economic Forecasting on the Economic Future of Europe for businesses. Cost £95.00 Contact name: Yasmin Ganss 071 262 5050 ext 229 Location: London Business School
LONDON

JUNE 16
TAURUS
The London Stock Exchange's new electronic system of share ownership replacing share certificates. UK quoted company boards will need shareholder approval before joining. Top speakers from the LSE and IOD provide guidance to directors.
Enquiries:- Director Conferences 071 730 0022
LONDON

JUNE 17
Managing People For Competitive Edge
One essential component to business success is competent, well managed and motivated people. This Institute of Directors seminar provides a sequence of practical steps to develop and implement plans to improve staff performance.
Enquiries:- Director Conferences
Tel: 071 730 0022
LONDON

JUNE 18
Foreign Exchange Options Course
Intensive one-day course covering various aspects of the FX Option Markets: Trading Strategies, Forward Arbitrage Calculations, Pricing Models, Hedging, Volatility Exposure & Time Decay.
Venue: Cambridge Science Park, CAMBRIDGE. £345. Contact: Gillian Beckett, Brady Financial Seminars.
Tel: 0223 423250
CAMBRIDGE

JUNE 18 & 19
A Changing South Africa: Internal Challenge and the External Dimension
Convened by The Royal Institute of International Affairs and The South African Institute of International Affairs. To be held at Chatham House, London.
Enquiries: RIIA Conferences
Tel: 071 957 5700 Fax: 071 957 5710
LONDON

JUNE 22 & 23
The Allocation of the Radio Spectrum
The conference will provide a broad international perspective of developments; consider the allocation of the radio spectrum; what services should be run on it, competing or monopoly; and how transnational services can be co-ordinated. Enquiries: Financial Times Tel: 071-925 2323 Fax: 071-925 2125
LONDON

JUNE 23
Manufacturing In The South East: Wealth Generation For The Future?
One-day conference addressing key issues in the South-East, including: – Will recovery benefit manufacturers? The benefits of a balanced economy? Is proximity to Europe an advantage? Fee: £195. Contact: Sarah Dawson, EELA. Tel: 071 222 7777
KEMPTON PARK

JUNE 23 & 24
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Conference Fee: £430+VAT. Comprehensive documentation pack £90. Dorchester Hotel. To register contact Geraldine Byrne, Business Information and Communication Services Ltd (BICS)
Tel: (UK + 44 81) (081) 427 9969 or (081) 424 2734
Fax: (081) 427 9351
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JUNE 24
RECOVERY AND OPPORTUNITY
Life After the Recession. THE HENLEY CENTRE Special One -Day Conference. How will the recovery develop? And what will the implications be for consumer behaviour? Contact Anna Disley Tel: 071 353 9961 Fax: 071 353 2899.
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JUNE 24-25
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A vital, one-day seminar for senior management on the implications of recent litigation (RSI) and forthcoming legislation (VDU Directive) Presented by Colin Mackay - HAS, Brian Pearce - Consultants Ergonomist, Tom Stewart - Chairman ISO TC 159 SC4 Bell Howe Conferences Tel: 0602 436323
Fax: 0602 436440
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JUNE 25
Prospects for the British Economy
The 3rd annual conference for business forecasters. Speakers include Roger Bootle, Midland Montagu: Hans Liesner, *Monopolies and Mergers Commission* and chairing Professor Sir Douglas Hague CBE. Enquiries: Pam Ogden, Manchester Business School, Tel: 061 275 6396 Fax: 061 275 6582
MANCHESTER

JUNE 25
Chemical Industry International Trade Controls
This one day conference organised by the Chemical Industries Association aims to dispel confusion over the plethora of current legislation covering trade controls. To be held at the Royal Garden Hotel, Kensington. Please contact Kathleen Drake on 071 834 3399
LONDON

JUNE 25-26
Alliances and Partnerships: A European Perspective
Dr Jordan Lewis and Professor Mitchell Koza will be joined by senior executives from key European companies to discuss strategic approaches to alliances and partnerships. For further information contact Jo Bradley, The Economist Conferences. Tel: 071-493 6711
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JUNE 28 – JULY 1
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Europe's premier futures/options industry event. Speakers include senior executives from Bank of England, LIFFE, CBOT, CME, MATIF, DTB, Federal Reserve Bank, General Motors, Prudential Holborn etc.
Contact: Futures and Options World
Tel: (081) 330 4311 Fax: (081) 337 8943
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JUNE 29 – AUGUST 7
Summer Courses in International Studies and Management
At the London School of Economics. Intensive programmes, taught at London University degree standard, providing an opportunity for enhancing the existing skills of professionals, managers and businessmen. Contact: Nicola Meskin.
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JUNE 30
OIL PRICE RISK MANAGEMENT
The development of products and techniques for hedging and trading in the oil markets continues at a rapid pace. This seminar will assist industry executives to chose the right derivative instrument. Speakers, from SITCO, NYMEX, IPE, TFS Energy.
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JUNE 30
TRADING TECHNIQUES
A seminar in which a group of traders talk about technical analysis, making money and survival. Representatives from Banca Commercial Italia, John Govett, A LIFFE local, and Cargill Investor Services discuss what influences the way they trade and what systems they use.
Futures and Options World Tel: (081) 330 431 Fax: (081) 337 8943
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JUNE 30
Basic Introduction to Futures and Options
Lawyers, accountants, bankers, IT vendors, local/authorities and consultants have to gain a basic understanding of the Futures markets. This seminar at the European Futures and Options Exhibition aims to de-mystify the whole industry. Futures and Options World Tel: (081) 330 4311 Fax (081) 337 8943
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JUNE 30
Selling your Way into Europe
Europe's new combined East West market presents an opportunity that industry must exploit. Organised by EELA, this one-day workshop offers practical advice on researching and penetrating this market. Fee £195.00 + VAT. Contact: Sarah Dawson 071 222 7777
BASINGSTOKE

JULY 1
Investment Opportunities in Sweden
Mr Per Westerberg, Swedish Industry Minister will give the keynote opening address on Sweden's industrial policy and privatisation programme. The reform of corporate tax structure and changes in corporate legislation will also be reviewed. Enquiries: Financial Times.
Tel: 071-925 2323 Fax: 071-925 2125
LONDON

JULY 2
Base & Precious Metals Options Course
Intensive one-day course covering various aspects of the Base & Precious Metals Options Markets: Trading Strategies, Backwardations, Pricing Models, Hedging, Volatility Exposure & Time Decay. Venue: Cambridge Science Park. CAMBRIDGE. £345 Contact: Gillian Beckett, Brady Financial Seminars. Tel: 0223 423250
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JULY 2-3
Privatization
Worldwide ministers, officials, and experts will gather at Sixth London Privatization Conference. Speakers include *Sir William Ryrie* (IFC), Ibrahim Elwan (World Bank), John Mullen (USAID). Themes include regulation, management renewal, attracting foreign finance, developing a stock market. Enquiries: Adam Smith Institute.
Tel: 071 222 4995. Fax: 071 222 7544
LONDON

JULY 6
Creating A Business Oriented I.T. Department
This one day management conference examines the opportunities, problems and critical factors involved in refashioning I.T. departments to be more responsive to business needs. Contact: Business Intelligence Telephone: 081-544 1830
Fax: 081-544 9020
LONDON

JULY 6 & 7
Telecommunications & The European Business Market
The liberalisation of the European Telecommunications market, the new alliances that are being formed to meet the global communications needs of business customers. Enquiries:- Financial Times
Tel: 071 925 2323
Fax: 071 925 2125
LONDON

JULY 6&7
MANAGING FINANCIAL RISKS
This workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management.
Enquiries: Financial Times Conference Organisation. Tel: 071-925 2323
Fax: 071-925 2125
LONDON

JULY 7
VAT AND THE SINGLE MARKET
Failure to prepare for the changes which take effect on 1 January 1993 may result in fines and wasted management time for all businesses trading in the European Community. This seminar provides practical advice for owner managers on how to avoid both. Contact David Wilkinson, Ernst & Young Tel: 071 931 2335 Fax: 071 353 8134
LONDON

JULY 13-17
EXECUTIVE SECRETARIES SECOND ANNUAL SUMMER SCHOOL
Join secretaries from across Europe on this 5 day residential course designed to develop motivational and advisory skills. Learn to set goals, broaden job responsibility and reach full potential. *Contact: Ginger Irvine, Monadnock* International Ltd Telephone: 081-871 2546 Fax: 081-871 3866
LONDON

JULY 14 & 15
Financial Skills for the Profit Motivated Manager
Practical, indepth knowledge for non-financial executives. A two day course enabling you to implement financial and accounting techniques and enhance your profitability Contact FiBEX. Tel: 071-489 9944 Fax: 071-236 6140
LONDON

AUGUST 24-28
IT – The Critical Issues For Management
Henley the Management College in association with Monadnock International present their second annual residential summer school designed to help management achieve competitive advantage through imaginative IT strategies. Contact: Sharon Crabtree, Henley Management College.
Tel: 0491 571454 Fax: 0491 571635
OXFORDSHIRE

SEPTEMBER 14&15
EUROPEAN PACKAGING LEGISLATION
In association with INCPEN, covering the latest developments in UK packaging law, the German influence together with an indepth look into the developments within France and the Netherlands - for lawyers and industry alike. Contact: Christine Rickards, IBC legal Studies and services Limited. Tel: 071 - 637 4383.
LONDON

SEPTEMBER 17&18
INTRODUCTION TO M&A IN EUROPE
If you are considering a European acquisition, there is a 50% chance that it could fail. Minimise the risks by taking advice from top experts who will take you through the acqusition maze in Europe. Contact ACQUISITION MONTHLY Tel: 071 823 8740 Fax: 071 581 4331
LONDON

SEPTEMBER 25
INSURANCE LAW UPDATE
Dealing with fraudulent claims. Subrogation and double insurance. Direct action against insurers. International law and insurance - choice of law and jurisdiction. For claims departments, underwriters, brokers, agents, loss adjusters and lawyers. Contact Susan Coulston IBC Tel: 071 637 4383
Fax: 071 631 3214
LONDON

SEPTEMBER 29 – 30
Management Buy-outs: The Road Ahead
Is a buy-out the best option? What is the vendor's attitude to the buy-out? How do you structure equity and debt to your best advantage? All this and more will be covered at this essential event. Contact Acquisitions Monthly. Tel: 071 823 8740. Fax: 071 581 4331
LONDON

OCTOBER
Privatising British Railfreight & Open Access on European Railways
Examining the options for privatising the railfreight division of British Rail and the implications of the EC Directive on Open Access. Speakers include politicians, financial experts, freight analysts and railfreight customers Contact: Iain Dale, The Waterfront Partnership. Tel: 071 730 0430 Fax 071 730 0460
LONDON

NOVEMBER 6
CHARITIES LAW AND PRACTICE
Major conference for charities. Hubert Picarda QC together with key legal and tax experts provide PRACTICAL guidance on implications of Charities Act 1992. Reduced rate for charity personnel. Contact: Vicki Ooffin IBC 071 637 4383.
LONDON

INTERNATIONAL

JUNE 11-12
Commercial Aviation and Aerospace in East and West Europe
The conference will bring together a galaxy of distinguished speakers to examine the opportunities for co-operation and collaboration in Europe.
Enquiries: Financial Times
Tel: 071-925 2323 Fax: 071-925 2125
BERLIN

JUNE 15-16
6th INTERNATIONAL PRIVATE BANKING CONFERENCE
"Coping with Transparency"
Demands for greater transparency in business dealings threatens the total confidentiality tradition of Private Banking, affecting both private bankers and customers. How is the market adjusting - what are the opportunities? Contact: Yvonne French, Lafferty Conferences, Tel: +353 1 718022
Fax: +353 1 713594
GENEVA

JUNE 15-17
MCE's 20th Annual International Pharma Conference
An international forum for top-level corporate executives in the pharmaceutical industry, this intensive 2.5 day conference addresses the crucial issue of adapting to increasing health care cost containment. details from Elene Riordan, MCE Brussels, Tel: 32-2-516 19 87 and Fax: 32-2-513 71 08
PARIS

JUNE 22-23
Innovation In The 90s
Sponsored by the European Commission. This conference will bring together policymakers, industrialists and academics to discuss ways of promoting and managing increased innovation and technology transfer in all EC member states. For further information contact: ECCO Tel: (32-2) 6478780
Fax: (32-2) 6406697
BRUSSELS

JUNE 22 & 23
WORLD GOLD
This annual meeting provides a unique forum for producers, traders, bankers and users to discuss international market trends. Enquiries: Financial Times Tel: 071-925 2323 Fax: 071-925 2125
MONTREUX

JUNE 24-26
Eastern & Central European Energy
This major energy forum will take as its theme "Investment for the Future" and will focus on the key practical and policy issues associated with investment in the energy industries. Contact: Brenda Hagerty, International Herald Tribune. Tel: (44 71) 836 4802 Fax: 071 836 0717
VIENNA

SEPTEMBER 16 – 19
Metalurji/Metallurgy '92 – International Metallurgical Technology and Equipment Trade Fair
Organized by FS Fair and Exhibition Services, Inc. this four day exhibition will give you the opportunity to see state-of-the-art products, services and technology. Please contact Ms Serra Talasli for further information. Tel: 901 274 23 85/86/87
Fax: 901 273 27 24
ISTANBUL

OCTOBER
INTERNATIONAL COMPUTER LAW THE NEW EUROPEAN PERSPECTIVE
A two day course covering national and international protection, the EC Directives and the European Convention. October: 5/6 Copenhagen; 8/9 Oslo; 12/13 Stockholm; 15/16 Helsinki. Contact Susan Coulston IBC Tel: +44 71 637 4383 Fax: +44 71 631 3214
SCANDINAVIA

OCTOBER 5-6
Competitive Intelligence
Strategies. Objectives. Organisation. Sources. Techniques. Tools. Analysis. Seminar presented by Kirk Tyson, author of "Competitor Intelligence Manual & Guide". For executives and analysts with planning, business development, and research responsibilities. Also in BRUSSELS 8-9 October. Contact BB SA, Geneva, Switzerland. Tel: (41) 22 788 2751: Fax: (41) 22 788 2726
BERLIN

OCTOBER 14 - 18
International Economic Reform
Conferences and themed workshops dealing with Russian judicial and fiscal affairs, distribution and representation, etc. Run in conjunction with top ATP tennis tournament. Superb marketing, sponsoring and hospitality opportunities. Info. on both events: AISE Paris Tel: (331) 30 35 79 59 Fax: (331) 30 35 91 25
SAINT PETERSBURG

FEBRUARY 12/13
EC AND INDIA - NEW TRADING AND INVESTMENT OPPORTUNITIES
A practical guide to the legal, financial and commercial issues including an illustration of successful inward investment. For senior management from multinationals, lawyers, banks and financial institutions. Contact: Sarah Avian, IBC Tel +44 71 637 4383 Fax +44 71 631 3214
NEW DELHI

EXHIBITIONS

JUNE 23-25
INTERBULK 92
The International Solids Handling & Processing Exhibition. Presenting the latest technology in bulk solids handling and processing. Over 200 exhibitors will show products and services relevant to almost every sector of British manufacturing and possessing industry. Admission free. Co-located with Eurochem 92. Ring 0895 679111 for Complimentary Tickets, or 0895 677677 for information.
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THE WEEK AHEAD

ECONOMICS

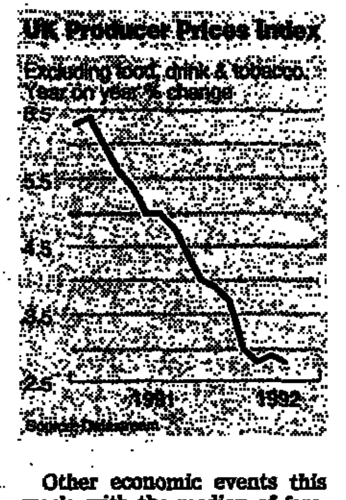
UK data expected to confirm fears that inflation is 'not yet licked'

THE emphasis in the UK this week has been very much on inflation. The annual rate of retail price inflation in May is expected to confirm the Chancellor's fears that inflation is "not yet licked", with the City forecasting a rise of 4.4 per cent in the year to May. In April the annual rate was 4.3 per cent.

Although the downward progress of retail price inflation has been bumpy, producer price inflation – the prices of goods at the factory gate – has been making better progress. The annual rate has fallen from 5.1 per cent in November last year to 3.8 per cent in April. The City expects producer price inflation to drop again in May to 3.7 per cent.

May producer prices are also expected to have risen in the US. Economists are forecasting a monthly rise of 0.3 per cent, which would be the biggest monthly increase in seven months. This would mainly reflect higher energy prices.

With retail demand showing signs of growth in all the major sectors of the economy of the US, retail sales are also expected to have risen quite strongly in May.



Other economic events this week, with the median of forecasts in brackets from MMS International, a financial information company, include:

Today: UK, April credit business (£75m); Canada, May housing starts (178,000); Europe, Whitsun – most European markets closed; Australia, Queen's birthday – all markets closed.

Tomorrow: UK, May producer prices index – input (up 0.2 per cent on month, down 0.4 per cent on year), output (up 0.2 per cent on month, up 3.7 per cent on year), output excluding food, drink and tobacco, April housing starts; US, April wholesale trade, Presidential primary in North Dakota; Japan, April machinery orders; Canada, April motor vehicle sales (up 4.3 per cent on month); Luxembourg, EC finance ministers meeting; Germany, half day holiday – Frankfurt only.

Wednesday: US, April housing completions; Canada, April department store sales (up 1.8 per cent on year); Sweden, unemployment rate; Portugal, Camoes Day – all markets closed.

Thursday: *UK, May Confederation of British Industry distributive trades survey published*; US, May producer prices index (up 0.3 per cent), excluding food and energy (up 0.3 per cent), May retail sales (up 0.6 per cent), excluding autos (up 0.4 per cent), May M1 (up $10bn), May M2 (flat), May M3 (down $2bn), M1 (up $3.8bn), M2 (up $4.8bn), M3 (down $6.5bn) for week ended June 1, initial claims for week ended May 30 (400,000); Australia, May employment (up *10,000*), May unemployment rate (10.5 per cent), April retail trade (up 1 per cent); Japan, trade balance ($6.1bn surplus); Denmark, trade balance excluding ships.

Friday: UK, May retail prices index (up 0.2 per cent on month, up 4.4 per cent on year), excluding mortgage interest (up 5.4 per cent), first quarter construction output; US May consumer prices index (up 0.3 per cent), excluding food and energy (up 0.3 per cent), April business inventories (up 0.1 per cent), May real earnings, Denmark, May current account; Spain, consumer prices index (up 0.3 per cent on month, up 6.5 per cent on *year); Japan, Bank of Japan* publishes May Tankan report.

During the week: Germany, April trade balance (DM3bn surplus), April current account (DM0.5bn deficit), April retail sales West (down 2 per cent on year), April wholesale prices index (up 0.3 per cent on month), March capital account, March long-term capital account; Holland, May consumer prices index (up 0.2 per cent on month, up 4.4 per cent on year).

Emma Tucker

PARLIAMENTARY DIARY

TODAY

Commons: Questions to Social Security ministers, Church Commissioners and Lord Chancellor's Department.
Sea Fish (Conservation) Bill, second reading.
Lords: Sporting Events (Control of Alcohol) Amendment Bill, second reading.
Debates on protecting the arts in schools and the *suitability of the former* GLC's County Hall headquarters as a site for the London School of Economics.

TUESDAY

Commons: Employment questions.
3.15pm Questions to the Prime Minister. Commons Leader Mr Tony Newton to reply, as Mr John Major is attending the Earth Summit in Rio di Janeiro.
Debates opened by the Opposition on "Ethnic minorities in British society" and "Protecting the Maxwell pensioners".
Cardiff Bay Barrage *Bill*, motion.
Industrial Training Levy (Engineering Construction Board) Order.
Lords: *Armed Forces* (Liability for Injury) Bill, second reading.
Debates on people involved in Easter Island atomic testing and on the Citizen's Advice Bureaux's "severe hardship" and Youth Aid's "a broken promise" reports.

WEDNESDAY

Commons: Trade and Industry questions.
Finance Bill, committee.
Northern Ireland (Emergency and Prevention of Terrorism Provisions) (Continuance) Order.
Lords: Debate on art works exports, energy *generation* and the future of dentistry.

THURSDAY

Commons: *Treasury* questions.
3.15pm Questions to the Prime Minister. Commons Leader Mr Newton to reply again, with Mr Major still at the Earth Summit.
Debate on science and technology policy.
Lords: Protection of Badgers Bill, third reading.
Trades Union and Labour Relations Bill, third reading.
Tribunals and Inquiries Bill, third reading.
Radioactive Substances Bill, second reading.
Human Fertilisation and Embryology (Disclosure of Information) Bill, second reading.
Education (Amendment) Bill, second reading.
Debate on allowing teachers a conscience clause not to teach children aged *between 11 and 14 about* Aids and HIV.

FRIDAY

Commons: Debate on Common Agricultural Policy reform and the 1992/93 price proposals.
Lords: Not sitting.

RESULTS DUE

Welsh Water, which attracted some unwonted attention last year with results well ahead of expectations, should announce a more muted pre-tax rise of less than 10 per cent to about £140m for the year to March. It remains the only water company to have a stake in a neighbouring electricity company, and that investment has shown a healthy profit. On Wednesday, Northumbrian Water, smallest of the 10, is expected to show the most progress with a 25 to 30 per cent increase in pre-tax profit to £60m. However, this represents a rebuilding of margins after some heavy costs in its first year, rather than a surge to a new level. It is still waiting the outcome of public inquiries into plans to build waste-incinerators.

The two dairy groups Unigate and Northern Foods are reporting annual profits on Tuesday and Wednesday respectively. The contrast between the two has been marked in recent years with Unigate's profits falling while Northern's have climbed. These figures will see Unigate's profits beginning to rise again, if only because it has sold loss-makers such as its chicken business. Analysts are looking for around £90m pre-tax against £75.5m, although there will be little underlying growth. Northern should continue to see the benefits of heavy investment in the last few years in rising profits, as well as a contribution from the Express Dairies and Eden Vale businesses acquired two months before the March year end. Forecasts centre on £125m pre-tax, up from £105.4m.

Analysts do not know what to forecast for Pilkington, the glass group, as it has £30m to £35m of exceptional costs to cover redundancies and the restructuring of the head office. If all these costs are taken in the year to end March pre-tax profits could be as low as £70m, against £151.6m, which would leave the dividend not just uncovered but under water.

Racal Electronics, which announces annual results on Wednesday, has twice forecast profits of about £50m pre-tax for the year to end-March, against a £21.8m loss last time. That return will be after exceptional provisions of about £30m for redundancies. The main interest, however, is likely to be in details of the Chubb demerger and also whether the recovery is still on track.

Vodaphone will be questioned closely on how it plans to cope with lower-priced competitors preparing to enter the telecoms market when it announces annual profits on Tuesday. Analysts are expecting pre-tax profits of about £267m, compared with £245m, and a final dividend of 6p.

UK COMPANIES

TODAY
COMPANY MEETINGS:
Alexandra Workwear, The Institute of Directors, 116 Pall Mall, S.W., 10.00
Davis Service, Glaziers Hall, 9 Montague Close, London Bridge, S.E., 11.00
Grampian Hldgs., The Royal Scottish Automobile Club, 11 Blythswood Square, Glasgow, 12.00
REA Hldgs., 7 Bedford Square, W.C., 10.00
BOARD MEETINGS.
Finals:
Betterware
Great Portland Ests.
Henderson Admin.
Protean
Viech
Interims:
Electronic Data Process.
GWR

TOMORROW
COMPANY MEETINGS:
Boustead, Westbury Hotel, New Bond Street, W., 12.00
Crown Communications, Crown House, 72 Hammersmith Road, W., 3.00
EIS, Brewer's Hall, Aldermanbury Square, E.C., 11.30
Haden MacLellan Hldgs., Great Fosters, Stroude Road, Egham, Surrey, 10.00
Lamont Hldgs., The Savoy Hotel, Strand, 12.00
London & Associated Inv. Trust, 30-34 New Bridge Street, E.C., 12.00
Martin Currie Pacific Trust, Saltire Court, 20 Castle Terrace, Edinburgh, 12.30
Micro Focus, 26 West Street, Newbury, Berkshire, 12.00
Quicks, Centre House, Ashburton Road East, Trafford Park, Manchester, 11.00
Stylo, Harrogate Road, Apperley Bridge, Bradford, West Yorkshire, 11.00
Tarmac, The Hyde Park Hotel, *Knightsbridge*, S.W., 12.00
Travis Perkins, Lord's Banqueting & Conference Centre, ST. Johns Wood Road, N.W., 12.00
BOARD MEETINGS:
Finals:
BSS
EMAP
Heath (C. E.)
Marshalls
Marston, Thompson
Meyer Intl.
PowerGen
Powerscreen Intl.
Scott Pickford
Seton Healthcare
URS Intl.
Unigate
Vodafone
Interims:
Greencore
Murray Enterprise
Stakis
United Drug

WEDNESDAY JUNE 10
COMPANY MEETINGS:
AMEC, Holiday Inn Crowne Plaza Midland Hotel, Peter Street, Manchester, 12.00
Blockleys, The Park House Hotel, Shifnal, Telford, Shropshire, 12.00
CI, The Novotel, Union Street, Wolverhampton, 10.30
Capital Inds., Manor Park Place, *Rutherford Way, Gloucestershire*, 11.00
Delyn, Park Hotel, Park Place, Cardiff, 10.30
Jacks (Wm.), Sunningdale Carriage Co., London Road, Sunningdale, Berkshire, 11.30
Lilley, The Royal Scottish Automobile Club, 11 Blythswood Square, Glasgow, 12.00
McLaughlin & Harvey, 15 Trench Road, Mallusk, Newtownabbey, Co. Antrim, 2.30
Ocean Wilsons Hldgs., The Great Eastern Hotel, Liverpool Street, E.C., 11.00
S & U Stores, Plough & Harrow *Hotel, Hagley Road, Edgbaston*, Birmingham, 11.30
Saatchi & Saatchi, London Marriott, Duke Street, W., 11.00
Serif Cowells, The Post House Hotel, Ipswich, 12.00
TSW-Television South West, TSW Studio's, Derry's Cross, Plymouth, 2.30
BOARD MEETINGS:
Finals:
Airsprung Furniture
Amersham Intl.
Cape
Electrocomponents
Hambros
M & G Second Dual Tst.
Mansfield Brewery
Moorgate Smaller Co's Inc. Tst.
Northern Foods
Northumbrian Water
Porter Chadburn
Oriflame Intl.
Regalian Properties
Tams (John)
Interims:
Daily Mail & Gen. Tst.
Johnson & Firth Brown
London Scottish Bank
Princedale

THURSDAY JUNE 11
COMPANY MEETINGS:
Austin Reed, 16-21 Sackville Street, W., 12.00
HTV, The Television Centre, Culverhouse Cross, Cardiff, 12.30
Haslleigh Technology, The Institute of Directors, Pall Mall, S.W., 12.00
LWT, The London Television Centre, Upper Ground, S.E., 3.00
Stormin, The Savoy Hotel, Strand, W.C., 11.00
Toye, Connaught Rooms, Great Queen Street, W.C., 3.00
Wassau, 10 Newhall Street, Birmingham, 11.30
BOARD MEETINGS:
Finals:
Barbour Index
British Land
Cater Allen
Cropper (J.)
Drummond
Intl. Comm. & Data
JF Fledgling Japan
Johnson, Matthey
Locker (Thomas)
Osborne & Little
Oxford Instruments
Pearce
Phoenix Timber
Pilkington
Salvesen (Christian)
Scapa
Smith New Court
Staveley Inds.
Interims:
Blick
Burndene Invs.
Eldridge, Pope
Hewden
Watson & Philip

FRIDAY JUNE 12
COMPANY MEETINGS:
Computer People, The Harbour Conference Centre, 5 Harbour Exchange, E., 10.00
Hampden Homecare, Culloden *Hotel*, Holywood, Co. Down, 11.00
Helical Bar, Chartered Accountants Hall, Moorgate Place, E.C., 10.30
How, Birmingham Chamber of Industry & Commerce, 75 Harborne Road, Birmingham, 12.00
Kingston Oil & Gas, Wilmslow Moat House Hotel, Wilmslow, 11.00
Morgan Crucible, Hotel Intercontinental, 1 Hamilton Place, Hyde Park Corner, W., 12.30
Personal Assets Trust, 1 Charlotte Square, Edinburgh, 12.30
Taylor Woodrow, Intl. House, St. Katharines Way, E., 11.30
BOARD MEETINGS:
Finals:
Cohen (A.)
Interims:
Alvis
Control Techniques

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

TODAY
Antofagasta Hldgs. 13p
Ashley (Laura) 0.1p
Atlas Converting Equip. 14p
Beckman (A.) 1.83p
Bentalls 3.25p
Fuji Intl. Finance (Australia) Fltg/ Fxd. Rate Gtd. Bds. 2001 $816.15
House of Lerose 7.3p
MB-Caradon 5.75p
National Australia Bank Sub. Var. Rate Nts. 2000 £283.16
National Westminster Bank Var. Rate Cap. Nts. 2009 £275.08
Nationwide Bldg. Soc. Fltg. Rate Nts. 1995 £272.24
New Zealand Fltg. Rate Nts. 1996 $247.33
Nippon Chemi-Con Corp. Gtd. Fltg. Rate Nts. 1998 $255.3
Reed Intl. 5% (3½% net) Prf. 1.75p
Do. 7% (4.9% net) Prf. 2.45p
Rockwell Intl. $0.23
Spirax-Sarco Eng. 6.3p
Standard Chartered Und. Prim. Cap. Fltg. Rate Nts. (Sers. 3) $255.02
Thompson Clive Invs. 3.8p
Whatman 5.8p

TOMORROW
Anheuser-Busch $0.28
Berry Starquest 2p
Coles Myer A$0.21
Davis Service 5.25p
European Inv. Bank 9½% Ln. 2009 £237.5
Grampian Hldgs. 3.8p
Investors Capital Tst. 1.275p
Lloyds Bank Prim. Cap. Und. *Fltg.* Rate Nts. $244.64
Local Authority Short-dated Bds. 9⅞% Bds. £4.59375
Sandvik Sers. B SK8
Tenneco $0.4
Treasury 10% Ln. 1994 £5

WEDNESDAY JUNE 10
Air London Intl. 1.8p
Allied-Signal $0.25
Arab Banking Corp. Fltg. Rate Nts. 1996 $269.79
Do. Fltg. Rate Nts. 2000 $266.88
Dun & Bradstreet $0.57
Exxon $0.72
Grace (W. R.) $0.35
Great Southern 6.7p
Houston *Inds.* $0.74
Intl. Business Machines $1.21
Laird 6.2p
Leeds Permanent Bldg. Soc. 13⅝% Perm. Int. Brng. £3406.25
Lilly (Eli) $0.55
Lucas Inds. 2.1p
Lyles (S.) 1.55p
Mandarin Oriental Intl. (Bermuda Reg.) $0.0359
Do. (Jersey Reg.) $0.0359
Martin Currie Pacific Tst. 0.4p
Richards 2.75p
Sun Co. $0.45
Texaco $0.8
Travelers $0.4
Utd. *Technologies $0.45*
USX-Marathon $0.35
Warner-Lambert $0.61

THURSDAY JUNE 11
AGA Sers. B SK0.5
Avonmore Foods A IR1.65p
Baillie Gifford Tech. 0.2p
Bank of Ireland Und. Fltg. Rate Prim. Cap. Nts. $118.19
Capital Inds. 2p
Electrolux B SK12.5
Hong Kong Land (Bermuda Reg.) $0.0615
Do. (Jersey Reg.) $0.0615
Hongkong & Shanghai Banking Corp. Prim. Cap. Und. Fltg. Rate Nts. $1277.78
Huntingdon Intl. 0.875p
Rugby Gtd. Fltg. Rate Nts. 1997 $13812.78
Sherwood Computer Srvs 4.5p
Skandia Group Insce. SK4
Temple Court Mortgages (No. 2) Class A1 Mtg. Bkd. Fltg. Rate Nts. 2031 £273.47
Do. Class A2 Mtg. Bkd. Fltg. Rate Nts. 2031 £277.24
Treasury 3% 1992 £1.5
Young (H.) 2p

FRIDAY JUNE 12
Allied Irish Banks Fltg. Rate Nts. 1996 $266.88
BankAmerica $0.325
Bletchley *Motor* 4.1p
Bracken Mines R0.2
British Empire Securities & Gen. Tst. 0.25p
Conversion 9½% 2002 £4.75
Dairy Farm Intl. (Bermuda Reg.) $0.0325
Do. (Jersey Reg.) $0.0325
East Daggafontein Mines R0.25
East Rand Gold & Uranium R0.3
Elys (Wimbledon) 14.5p
Exchequer 12% 2013-17 £6
Free State Cons Gold R1.3
Ipeco 2.2p
Kinross Mines R1.15
Leslie Gold Mines R0.05
Lloyds Chemists 1.55p
Monsanto $0.56
New Central Wits Areas R0.67
Orange Free State Invs. R3.39
Royal Bank of Canada Fltg. Rate Debs. 2085 $116.6
Shorco 2.8p
Time Warner $0.25
TSW-Television Sth West 3p
Unisel Gold Mines R0.05
Utd. Biscuits Finance 5¾% Gtd. Red. Cnv. Prf. 2003 2.875pc.
Welkom Gold R0.88

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Swiss Bank Corporation** *Switzerland*
Texaco Ltd *United Kingdom*
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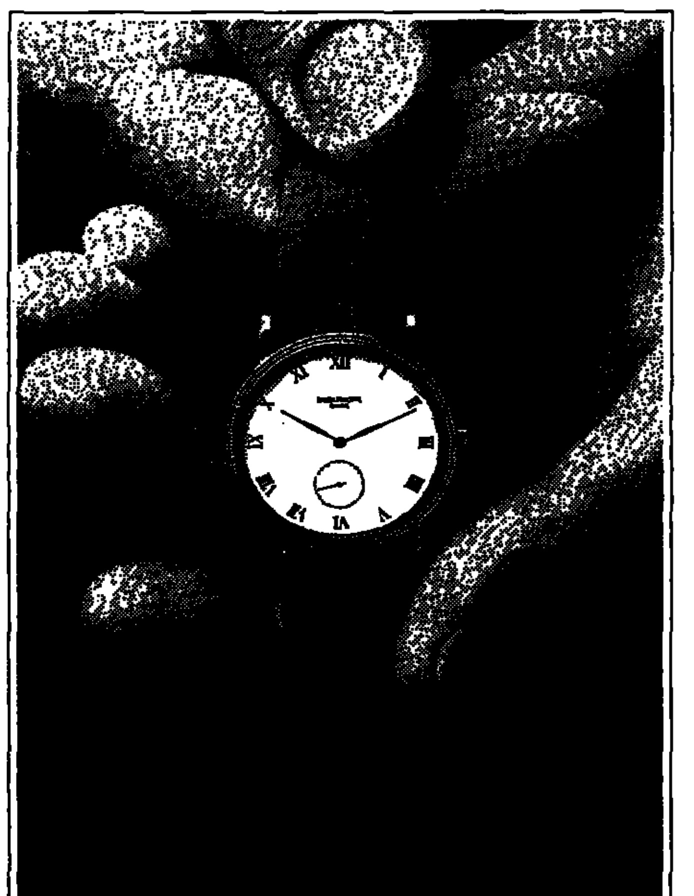

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MANAGEMENT

Companies are seizing opportunities to make their money work harder, says **Charles Batchelor**

Sterling work in the treasury

Until it was privatised just over two years ago, South West Water had relatively little money to manage. Over the previous 10 years, the company had built up debts of £130m, which were managed by the same man who also ran the payroll and settled the company's bills.

Privatisation changed all that. In just two years, SW Water has put together borrowing facilities worth £530m. It has begun using revolving credits, signed up leasing facilities and last February, made its first long-term sterling bond issue.

From managing SW Water's money part-time, Derek Bancroft has taken over full-time responsibility for managing treasury operations and now has an assistant and a money dealer to help him. Much of his time is spent maintaining contacts with City institutions and the banks on which this more elaborate financial framework depends.

SW Water was prompted into taking treasury management seriously by its conversion into a public company. Other corporations are being forced by an increasingly uncertain environment to improve their treasury management skills.

The break-down of the Bretton Woods system of fixed interest rates in the early 1970s and the deregulation of the banking industry have both created greater opportunities and threats for companies with money to manage.

It is just over a year since Allied-Lyons, the UK drink and foods group, announced a £150m loss on foreign currency operations while, in the non-commercial sector, many local authorities are still smarting from losses incurred from entrusting funds to the failed Bank of Credit and Commerce International.

Every company has to manage treasury operations even if it does not apply a formal label to the activity, says Gerald Leahy, director general of the Association of Corporate Treasurers. Treasury may involve handling relations with the company's banks; arranging cash transmissions; dealing in foreign currencies; and raising outside finance. Depending on the size of the company, these dealings may be handled by anyone from the chairman, through the managing director and finance director to the company secretary.

Companies probably need to take on a full-time treasurer when turnover reaches £200m-£250m, says Derek Ross, partner in charge of treasury management at accountants Touche Ross. But they may need to move earlier if they have sizeable borrowings or significant foreign exchange activities, typically from £50m upwards.

Wassall, a listed manufacturing and distribution group with projected turnover of £250m, decided to review its treasury management systems in the wake of Allied-Lyons' foreign exchange losses. "We got our auditors to do a 'quick and dirty' review to see if there were any black holes," says David Roper, finance director.

Wassall has completed the first stage of beefing up its treasury systems by introducing basic controls in group subsidiaries to avoid problems and to hedge any foreign exchange exposures above agreed limits. The second stage will be to appoint a full-time treasurer to monitor these operations centrally and to plan ahead.

At present it hedges its foreign exchange exposure when booking an order but it does not yet hedge anticipated exposure for the coming 12 months.

Central control will allow the company to match foreign exchange needs, setting purchases against sales, and reducing the need to deal with the banks. But while full-time treasury management only becomes necessary and affordable when a company has reached a critical mass, even small companies are becoming more sophisticated in managing their money.

Primasil, a Herefordshire-based manufacturer of silicon rubber compounds and mouldings took out an interest rate cap on £250,000 of borrowings at the suggestion of its bank manager. The cap means that Primasil, which expects turnover to rise to £1.9m this year, has frozen interest rates at 11 per cent for the next three years.

It took National Westminster Bank four months to sell its first interest rate cap in 1987 but demand has taken off and it has sold more than 1,600 since January, says Chris Fountain, senior manager of the bank's capital markets unit. NatWest has reduced the minimum size of cap available to £100,000 from £5m in response to increased demand from smaller customers, with sales of £1m or more.

Michael Pearce, founder of Pearce Management Consultants, based in Hertfordshire, says demand from smaller, unquoted companies for treasury advice has grown over the past year. "Financial directors like to have a framework to operate in," he says. "Before, if they speculated, they would get it in the neck."

But much of Pearce's work does not involve advising companies on arcane financial transactions: it is a question of finding basic solutions to management problems.

One British company was invoicing customers in Zambia in sterling for supplies bought in dollars in the US, thereby running an exchange rate risk. It did not matter to the Zambians which of the two currencies they used so Pearce suggested invoicing in dollars to cut out the exchange risk.

Pearce spends a few hours a week with some of his clients handling their treasury operations. Not only would the smaller company be unable to afford the £40,000-£50,000 salary of a full-time treasurer, it would not have enough business to keep him occupied. "He would become bored and tempted to play the market," warns Pearce.

But the scope for mistakes or deliberate wrongdoing in treasury is so vast that tight controls are necessary in any organisation. "Problems arise when the board does not realise what risks are being taken," comments Leahy. "If the finance director or the other directors do not understand a particular transaction, they should ask the treasurer to explain its effect on their financial and tax position."

Leahy advises against appointing "a star footballer from outside who feels he has to prove himself" but who does not understand the business. Better to choose a senior manager from within the company and get him to recruit the technical people, he suggests.

The smaller the treasury team the more difficult the problem of control since there will be fewer people to oversee the work of others, says Ross. There must be an absolute separation of the three stages of dealing, confirmation and settlement, he advises.

Ross believes that the recent controversy over whether treasury operations should be considered as a cost centre, merely providing services to other parts of the company, or as a profit centre, with a mission to make profits, really hinges on the question of control.

"People who don't understand treasury say the 'profit centre' approach encourages speculation, but in a bigger group, it is the only way to measure added value," he says.

Reuters, the financial information group, aims for a middle road between the cost and profit approaches, according to Philip Wood, director of treasury. With 80 per cent of its revenues from outside the UK, Reuters manages its foreign exchange exposure to avoid large fluctuations in its earnings, he says. At the same time, it measures the success of its treasury operations against the exchange rates laid down in its budgets. In the past two years, treasury has made a profit of £12m.

Companies sceptical of the benefits of treasury management believe that the creation of the European exchange rate mechanism (ERM) and the prospect of declining interest rates will reduce its relevance. But Leahy and other treasury specialists point out that many important trading currencies, such as the dollar, will remain outside the ERM while there is no long-term guarantee of cheap money.

Spreading the Coke message from Pole to Pole

Christopher Bobinski reports on a whole new way of work for staff at the Gdynia bottling plant

"THE OVERALLS are clean and pressed and waiting for you every morning and you don't have to sign a chit for them." This is what strikes the 230 Poles who have started work at Coca-Cola's new bottling plant in Gdynia.

"We find people who wear them take more pride in their work and it makes them stand out when they drive out to town," says Michal Rossa, the company's manager. Rossa got the job after placing an advertisement seeking work in the newspaper when he was deputy head of a state-owned shipping company.

From Rossa down, all employees find the style different, the pace faster and the pay higher than they had been used to in state companies. "I didn't do much where I worked before but I didn't earn much either," says one employee on the bottling line in Gdynia.

Many also speak of a friendly team spirit, with management much readier to delegate responsibility. The new management praises the underlings for their enthusiasm and readiness to work.

Pay levels at the new factory are not made public, as they were in the old state sector. Indeed employees are discouraged from talking about how much they earn.

However, the clash between the old ways of socialist management and the brash new style that Coca-Cola affects is not as great as might appear at first sight.

Most skills are still learnt on the job, although there is some training for the sales people. Even Rossa worked out the management methods he is now using while he was in his previous job. "I just couldn't enforce them there so I left."

The chief difference is a rigorous staff selection process which includes repeated interviews. At Gdynia, there are aptitude tests to help pick the right person from the 10 who apply for each job.

"We wanted young people," says Rossa, adding that talent and ability to learn counted more than previous experience. Keeping staff is made easier by the area's 12 per cent unemployment.

Not all the employees came from the state sector. For instance, Tomasz Perepeczko, the head of production at Gdynia, worked before at a local, Swedish-owned fish canning operation.

Coke is concentrating its efforts on marketing and maintaining contact with the point of sale – and is already breaking ingrained habits among retailers and competitors alike.

"I have to visit between 15 and 20 shops every day, making friends with the owners and checking they have the product, are displaying it prominently and that it looks good," says one ambitious 30-year-old who previously drove an inter-city bus. "I have no complaints."

Neville Isdell, president of Coke's north-east Europe-Africa division, sees no theat from trade unions at Gdynia.

"We are present in 185 countries and we work with trade unions in some and without trade unions in others. We have no rule about that." So far there is no sign that the Gdynia plant will have a union. For the moment the employees seem intent on the prospects of vertical promotion.

"After all," says one sales representative, "Donald Keough, the Coca-Cola president, started as a delivery boy and he made it to the top".

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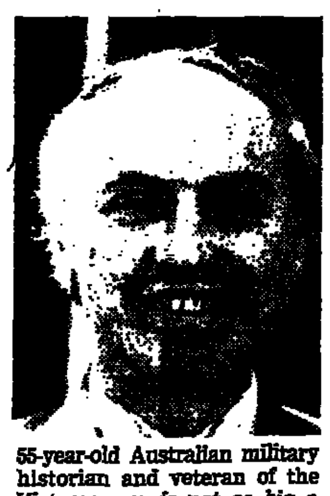
PEOPLE

Shell Shock



SHELL TRANSPORT AND TRADING has yet to put a woman on its board but it has demonstrated that it is more imaginative than many British multinationals by appointing its first academic. Professor Bob O'Neill, Chichele professor of the history of war at Oxford, has joined Shell as a non-executive director.

Until now the non-executive members on Shell's board have consisted of retired senior civil servants, ex-diplomats and well-connected businessmen. But the company has tended to pick its non-executive directors for their broad strategic vision rather than their specialised expertise, so the choice of a 55-year-old Australian military historian and veteran of the Vietnam war is not as big a break with tradition as it might at first seem.

Shell Transport, the British end of the Royal Dutch Shell group, is one of the world's most successful oil companies and analysts often ascribe this success to its ability to think very long term about where its business is going. Whereas other oil multinationals tend to be buffeted by short term events, Shell puts a lot of effort into scenario planning exercises. Its board of directors tend to be tapped for their geo-political skills rather than their abilities to explain the latest change in accounting standards.

Given this background, Professor O'Neill's expertise will come in handy. A Rhodes scholar, he served in the Australian army between 1955 and 1968, has been the official Australian historian for the Korean war, and headed Australia's strategic and defence studies centre for a decade until 1982.

He then directed the International Institute for Strategic Studies in London for five years and since 1987 has been based in Oxford where he is a fellow of All Souls.

Professor O'Neill is the second non-executive appointment to the Shell board in recent months. Last November, Sir Antony Acland, 62, former head of the diplomatic service and ambassador to Washington, was appointed. They replace Edmund Dell, a former Labour secretary of state for trade, and Sir Michael Palliser, a former head of the diplomatic service, who have retired on reaching 70.

Limerick for AMP

AMP, Australia's biggest life insurance company, has put the finishing touches to its newly-established UK investment business by appointing the Earl of Limerick as chairman of AMP Asset Management.

AMP Asset Management, which has £13bn of funds under management, was set up last November following AMP's 1989 acquisitions of both Pearl Assurance and London Life. AMP has combined Pearl's investment management business with that of London Life's, lumping in its own international investments as well. The new London-based operation is headed by Ray Greenshields who came over from Australia last year.

Although AMP Asset Management is only managing the funds of its own companies at present, Greenshields says that it will start offering its investment skills to outsiders next year. It has recently hired John Whalley from Norwich Union to look after its £1.5bn UK property portfolio and a new marketing director is being recruited. Greenshields said that the new group, which is heavily retail orientated, plans to expand into the wholesale market.

In an effort to give the new group its own independent identity, Lord Limerick, a former deputy chairman of Kleinwort Benson, has been recruited to a board which includes Tom Hutchison, a former ICI executive, and John Sadler, a former finance director of the John Lewis Partnership.

Lord Limerick, 62, who retired from the Kleinwort Benson Group in May 1990, is chairman of Pirelli UK and a non-executive director of De La Rue.

TSB Scotland's new boss

TSB Bank Scotland, one of the more successful parts of the TSB Group, has found its new chief executive from within its own ranks. It is bringing back to Scotland Alastair Dempster, a 51-year-old Scot who is currently chief executive of TSB Bank Channel Islands.

The job became vacant when Charles Love, a long-serving TSB man, left to become chief executive of the Clydesdale Bank, the Glasgow-based institution which belongs to National Australia Bank.

Dempster joined TSB from Royal Bank of Scotland in 1986. He was TSB's director of commercial banking and international until 1991 when he moved to the Channel Islands.

Whereas Love latterly combined running TSB Bank Scotland with being head of branch banking, which is run from Birmingham, Dempster will concentrate purely on Scotland.

TSB Bank Scotland is the fourth largest bank north of the border, after Royal Bank of Scotland, Bank of Scotland and Clydesdale.

In the year to October 31 1991 its profits grew by 26 per cent (to £77m).

Insurance moves

■ **Chris Wright** becomes UK general manager at COLONIAL MUTUAL. He succeeds Dave Morris who is transferred back to Australia.

■ **Vaughan Jenkins** has been appointed head of product development at PRUDENTIAL Life & Pensions; he moves from National Home Loans. **James Turner** has been appointed sales development director of Prudential's Home Service division. He joins from Fidelity International Management Holdings.

■ **Kevin Bounds**, previously group financial controller for County NatWest, has been appointed director of finance for NATIONAL WESTMINSTER LIFE ASSURANCE.

■ **Mark Diggens, David Jackson and John Phillips** have been appointed directors of LLOYD THOMPSON Ltd.

■ **Roger Legge** becomes md of CANTERBURY LIFE ASSURANCE on the retirement of John Rood. **Graham Austin** is administration director.

■ **David Hubbard**, 56, is the new chairman of London & Manchester, the Exeter-based life assurance and financial services group.

An accountant, Hubbard is currently chairman of the engineering group, Powell Duffryn, but does have directorships with other financial services companies. Already a non-executive director, he takes over from John Thomson who is retiring, aged 64, after a long career with L & M.

Accountancy

■ **Ian Plaistowe** (above left) has been elected president of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES. He is National Practice Director for the UK and Business Advisory practice of Arthur Andersen. Deputy president is **Michael Chamberlain** (above right), who is a senior partner with KPMG Peat Marwick in Leicester.

■ **Martin Brown**, chairman of Darenth Vending Services, is elected chairman of THE AUTOMATIC VENDING ASSOCIATION.

■ **Stuart Burchell** is appointed European advisor to the ELECTRICAL CONTRACTORS' ASSOCIATION.

■ **Harriet Dawes** has been appointed deputy chairman of the OCCUPATIONAL PENSIONS BOARD.

Prokoviev's October

At the Festival Hall on Saturday, Neeme Järvi conducted the Philharmonia in a typically adventurous programme (sponsored by AFG). In the middle came Mozart's clarinet concerto, with large, impassioned choral cantatas by Arvo Pärt and Prokofiev jostling it from either side.

The Mozart soloist was the superb Richard Stoltzman: faultless line, and subtle as ever, but more buttoned-up than his norm. Stoltzman seemed to be aiming to elevate it above its amiable station. Less delicacy would have been more fun.

Not the least interesting thing about Pärt's and Prokofiev's monster cantatas was that they proved to be, respectively, so much worse and so much better than one might have expected. The "dissident" Estonian composer has described his 1968 *Credo* – banned after its first performance – as "the turning-point of my entire creative output": in it he foreswore his earlier, unpopular flirtation with 12-note composing in favour of stern white-note tonality and Russian Orthodox piety, the neo-mediaeval, crypto-minimalist style that has made him a cult figure now.

Yet his *Credo* is just a piece of raw music-theatre, sincere though its motives may have been. It begins and ends with churchly pastiche from the choir. The central episode, however, consists of increasingly dissonant music which culminates in an ultra-loud improvised cacophony, 90.

Prokofiev's 1937 *October* Cantata should have been much worse, like most of those Soviet works by composers who were made offers that they couldn't refuse. Not only did it have the approved popular extravagances – an extra military band, a percussion section swollen by machine-gun imitations and a siren for the "Revolution" set piece, *and* a team of six accordions – but most of the words were taken straight from speeches by Lenin and Stalin.

At the close of this first British performance it was bizarre, though poignant, to hear the Philharmonia Chorus declare (in hopeless Russian) that "the blood our people shed" was "strengthening faith in our powers and mobilising us to a new struggle to win new victories for communism". Yet much of the music Prokofiev devised was sour and abrasive enough that no première transpired. Only in 1966, when Prokofiev – and Stalin – had been dead for 13 years, was *October* at last performed. By then the Stalin settings (including the finale!) had become unacceptable and were duly omitted.

As Järvi demonstrated, *October* is an unbridled shivaree, but also a parade of honest Prokofiev *trouvailles*. Broad lyrical lines, often angular and underpinned by a hard, relentless pulse ;baleful churnings, that were never the stuff to give the troops; for the orotund propaganda heights, a prosaic kind of fervour in dogged even-notes.

October illuminates Prokofiev's transition from eager European cosmopolite back to prudently Sovietised Russian, more vividly than anything else he composed at that crucial time. We are in debt yet again to Järvi's intrepid foraging.

David Murray

Architecture/Colin Amery

The RA's cupboard is full of surprises

Reviewing the Royal Academy's annual Summer Exhibition is one of the bench marks for a critic of the architectural year. At a time when the rate of new architectual commissions for architects has slowed down alarmingly because of the recession, the RA exhibition provides a good opportunity to consider the state of the art. The Academy this year has described the Summer Exhibition as being about complexity. It is certainly not one of those shows that eliminates contradictions in order to produce a rational and clear statement about the visual arts.

Architecture and architects now plays a much a much more important part in the Academy's activities and the placing of the architecture room in Gallery VI means that it is right on the main axis from the Central Hall. The rich mixture of models and drawings makes this room look like an intriguing cupboard full to bursting with potential surprises. It seemed less predictable than last year and highly catholic in its selection.

What are the acknowledged "masters" showing this year? James Stirling exhibits his competition entry for the Kyoto Centre in Japan, and shows once again his particular drawing skill. Stirling remains an architect completely outside the current architectural stylistic debate, pursuing his sculptural approach to architecture that sees each new commission as a work of modern art.

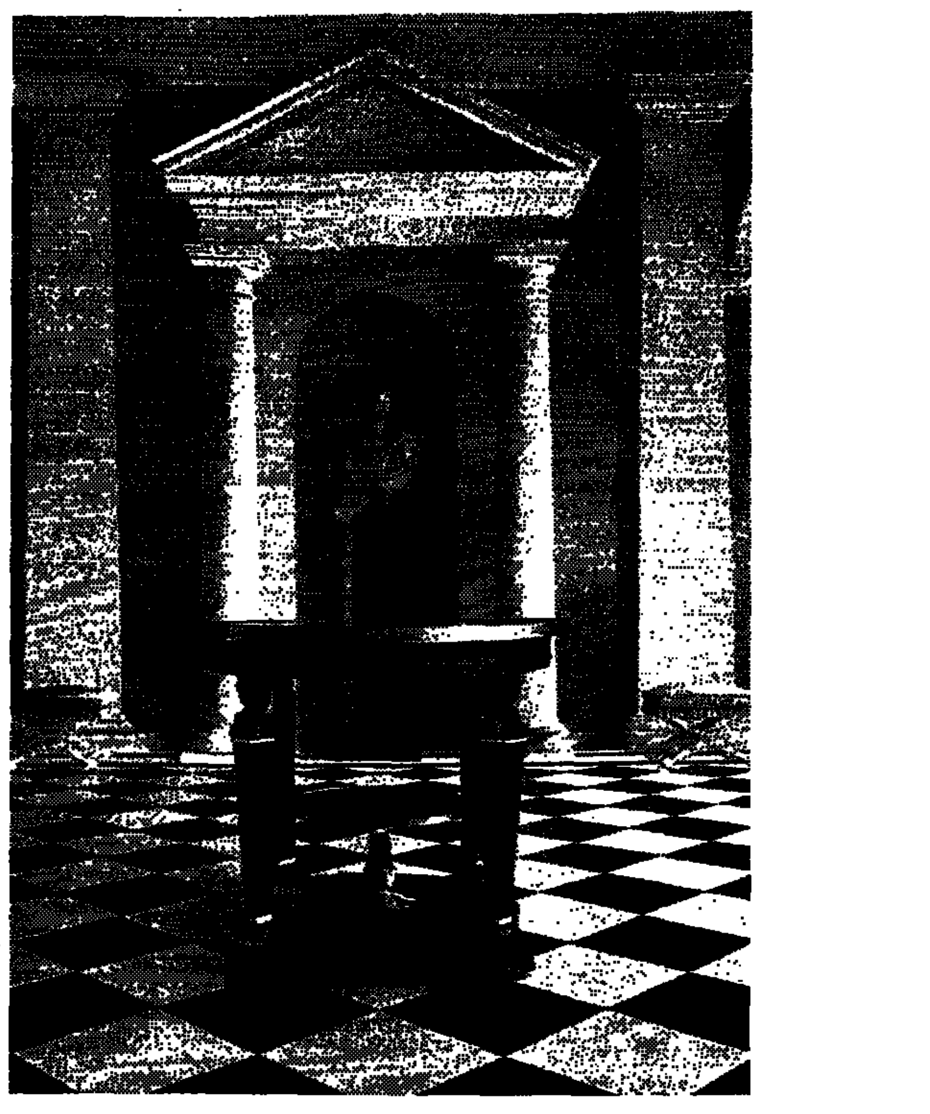
Sir Richard Rogers has strayed beyond the architecture room and you will have to look in Gallery One to see his geometric study of the Court of Human Rights that he is building in Strasbourg. This is a major commission for a British architect and, as a rather simple exercise in basic geometry, it looks as though it may be a building with a tough presence. Rogers continues the European theme by showing his great model of his proposals for the Potsdamer/Leipziger Platz in Berlin. This seems to be a somewhat schizophrenic scheme: half wants to follow the formal street plan of the city and half wants to impose giant and unfriendly buildings upon the hapless inhabitants; because of the democratic nature of the German planning system, it seems unlikely that that one architect will be allowed to impose his own vision upon such a large slice of the new city. In his unsuccessful competition entry for the new Inland Revenue headquarters in Nottingham, Rogers vast elegant glass tents certainly showed considerable panache.

The third member of the trio of Academician "masters", Sir Norman Foster, remains, for me, the most disciplined and elegant of them all. He shows this year his winning design for the new airport – the Chek Lap Kok Airport in Hong Kong. The great relief model shows how clearly Foster grasps the complexities of modern air transport and refines the problems they cause down to a solution of distinction and style. We know from the completed terminal at Stansted that he can produce a public space of great light and beauty. The impressive thing about the Hong Kong airport is that it is the corner stone of some ten major infrastructure projects for the Crown Colony. British Government please copy at home... Can there be something wrong when this trio of such prominent architects are all exhibiting as their major work projects that are being built abroad ?

British architects do, however, exhibit some highly distinctive British characteristics in the exhibition. There is nothing wrong with an affection for history and it is always fascinating to examine some of the drawings that accompany conservation activity. Proposals for the insertion of an art gallery inside the shell of that neglected masterpiece, Alexander "Greek" Thompson's Caledonia Road Church in Glasgow, by Gillian McInnes may prompt more action to save that splendid building. It is interesting to compare this scheme with the plans exhibited by David Chipperfield for the major alterations to that strangely Islamic looking First Church of Christ Scientist in London's Sloane Terrace. Chipperfield's solution has a clarity and boldness that should be commended. The detailed study for the replacement of railings at Gibbs's great church of St. Mary-le-Strand in London by Donald Insall reflect the care and craftmanship that is still active in this country.

There are a few exhibits that really belong as much in the art galleries as in the architecture room. Surely Ben Johnson's two paintings of European interiors, the great vista orf the Cini Foundation and the view of part of Château Margaux, would have raised the standard in the main painting gallery, Gallery III? Michael Sandle's study for an architectural monnument also has a place to elevate the sculpture selection.

There is an underlying theme in the RA show that affects the artists as well as the architects, and that is the increasingly visible concern with landscape. The wonderful panoramic landscape painting by Michael Andrews and Richard Long's Two Stones represent the the two poles of landscape art. In the architecture room, the finely detailed drawings of Sir Geoffrey Jellicoe for a classical garden, an Egyptian garden and an English Wiltshire garden show the lasting influence of this old master of the land. Landscape is a whole area that the British understand and are once again beginning to reinterpret as a new art form. I detected some of this thinking in two works very strongly: in Richard Reid's "Greenville, an Urban Village" traditional landscape and settlement patterns are reinterpreted; senand in Edward Cullinan's design for the National Trust Visitors' Centre at Fountains Abbey in Yorkshire the interweaving of the architecture, the landscape and the siting promises to be a remarkable contribution to this encouraging marriage of architecture and nature.



Ben Johnson's view of part of Château Margaux

Scene from 'The False Servant' at the Gate Theatre, with Gary Whitaker (centre)

Theatre/Andrew St George

The False Servant

Dr Johnson knew that people reveal confidences in order to show that they had been trusted in the first place. In 1724 his contemporary, Pierre Marivaux (1688-1783), wrote a satire based on this fact of human nature and called it *La Fausse Suivante* (*The False Servant*). He made it intellectually puzzling and morally complex, but kept it light. The new production at the Gate Theatre, Notting Hill – a British premiere - answers Marivaux with a delightfully-paced evening of rapid-fire dialogue and shifts of plot.

The action centres on a Chevalier who has disguised herself as a man in order to probe the protean deceits of Lelio, whom she thinks she loves. Lelio in turn, randy for gain, has betrothed a rich Countess and is yoked to her by bonds of forfeit rather than love. Lelio, believing the Chevalier is a man, enjoins him to woo the Countess into breaking her betrothal and paying the forfeit. Meanwhile Trivelin, the Chevalier's duplicitous servant and Arlequin, the lovelorn clown of the house reveal the Chevalier's true identity, one through venality and the other through stupidity. The Chevalier disrobed turns out to be a prospect that Lelio has coveted from afar. Nobody marries.

The result is a serious comedy that feels like Haydn's "The Joke" in that one is never quite sure it has ended, and sounds like the best of Alfred de Musset, in that one never wants it to. Deceit and disguise dominate the action, which itself appeals to a set of constantly changing unseen rules, always governed by the final injunction that the rules can change any minute.

The insights emerge from the meeting of the unshockable with the undeterrable. The pattern of tests, feints, parries is always motivated by a saving of face and a saving of money. Negotiations and love songs are often mistaken for one and the same.

The sharp translation from Jonathan Guy Martin (who directs) and Mary Ann Vargas keeps the ethos of the original, giving it a modern bite without resort to modern infelicity. All the characters are obsessed with form and forms of language. This can be very funny indeed: "Sir," says the Countess, "'sensitive to' is going too far. You could have said 'aware of'." The interchange between characters at full stretch also finds a moral level: "Do you repent the wrong? or your failure to succeed?"

The acting keeps up with the action. Crispin Redman plays Lelio as a mincing cadaver; his limber interchanges with William Hope's Trivelin and Christabelle Dilks' Chevalier (not yet his nimble equal) form the centre of the action. Susannah Morley plays a leaden-footed Countess. Robust music, bawdy intrusions from a party of wedding guests, and a simple plain set complete the salon effect. One pedantry: when a character says "time's ticking away", he should not twitch at his wrist. It was only 1724.

The Gate Theatre (071 229 0706) until 4

Opera/Andrew Porter

Mario and the Magician

János Vajda's and the late Stephen Oliver's versions of *Mario and the Magician* (both 1988) were one-act operas; the first was given in a double-bill with *Dido*, the other with Offenbach's *Ba-ta-clan*. Harry Somers's *Mario and the Magician*, which had its premiere in Toronto last week, is in three acts and lasts three hours. The Canadian Opera Company maintains a steady output of new Canadian operas, but *Mario* was its first "mainstage" premiere in 18 years – preceded by Charles Wilson's *Héloise and Abelard* in 1973, and Somers's own *Louis Riel* in 1967. It was a success: warmly acclaimed by the public, brilliantly performed by the company.

Canadian Opera, with Brian Dickie as general manager and Richard Bradshaw as music director, is flourishing. Thirty-five of the 36 singers in *Mario*, most of them young, came from the company, and were there space enough all would be named and praised, for there was a vivacity and precision in the performance that held eye and ear. Among the prominent were Theodore Baerg (Mann, renamed Stefan), Marcia Swanston (his wife), André Clouthier (the chief heckler), Heather Thompson, Cornelis Opthof, Benoit Boutet (Mario), and the treble Patrick Torcat.

But wherever the eye fell, it fell upon performers alert in response and reaction; and the orchestra of 26 (woodwind and brass quartets, saxophone, harp, piano, percussion, and strings), conducted by Bradshaw, played with a like animation. Robert Carsen, the producer, combined dynamic stage pictures, ingeniously and economically devised, with attentive inspiration of each individual character.

The work itself? Shadowed, for me, by Britten's *Death in Venice*; I'm still under the impact of Covent Garden's recent production, and Philip Langridge's Aschenbach. In Mann's *Mario und der Zauberer*, the Aschenbach/Mann of *Der Tod in Venedig* is developed and split into two separate characters – the German narrator, striving to keep Apollonian detachment, and the Magician, Cipolla, shamelessly flaunting his Dionysian powers and at last bringing the boy into his arms and onto his lips. *Der Zauberer* – the hypnotic manipulator of words to bring people to his way of thinking – was Mann's family nickname.

But there are also what Mann called "minor political highlights and topical allusions tucked away" in the successor tale – the grotesque but potent Cipolla as a Mussolini hypnotising decent Italians into indecent behaviour. But "I should prefer to see its significance in the realm of ethics rather than politics," Mann said.

In Somers's opera the minor political allusions were not tucked away but dominant: a portrait of Il Duce hung on the back wall, replaced at the close by one of Der Führer; *Giovinezza*, the now-banned Fascist anthem, was the first-act finale. (It is a fiendishly catchy tune; during the interval people could be heard happily humming it.)

Carsen, on a stage bared to a blackened back wall, and with almost all his characters black-clad (even on the beach), displayed not a smiling, seductive Italy menaced but one already blightened, blackened, and bellicose; blackshirted, jackbooted *squadristi* were prominent supers. The fabulous, enduringly apposite qualities of the novella were diminished to an historical episode – an effect emphasised by the framing of the tale within a 1919 Munich lecture on the menace of totalitarianism. Acts 2 and 3, played without an interval, were Cipolla's show.

Rod Anderson, the librettist, left nothing out (as Vajda and Oliver did), conscientiously underlined and expanded what was there, and added more of his own. This was a protracted music-theatre account of Mann's novella. But one that was gripping, for Somers is an able, efficient, and experienced composer. His manner varied from neoclassical Stravinskian scherzo (complex only on the page and for the performers, with its ever-changing metres) to Britten-type – but not Britten-great – lyricism. There was free-range harmony, often with parallel fourths beneath figuration. The score was not boring.

The opera was done not in Toronto's 3200-seat O'Keefe barn but in the company's other house, the 1500-seat Elgin, where operas can tell. (Its bright, intimate acoustics allowed some of Somers's exuberant brass writing to drown the words.) Cipolla's audience, until he summoned them to the stage, was seated in and sang from open boxes rather like those in the Edinburgh King's. As the Magician, the American tenor David Rampy gave a terrific performance. It is a role that calls for a Jon Vickers. Rampy has a heavy, clumsy, powerful voice – a potent character-tenor without beauty but on an heroic scale – and a presence and utterance that from his first, insolent entrance until the melodramatic finale nearly two hours later, held spellbound both his figured and the real audience.

INTERNATIONAL ARTS GUIDE

■ **BARCELONA**

Gran Teatre del Liceu 20.00 Gerd Albrecht conducts Harry Kupfer's Hamburg production of Tannhäuser, with Günter Neumann in title role, also Wed and Fri. Tomorrow: song recital by Edita Gruberova (412 1466)
Palau de la Musica 21.00 Charles Dutoit conducts Montreal Symphony Orchestra in works by Honegger and Ravel (268 1000)

■ **BERLIN**

MUSIC
Schauspielhaus 20.00 En Shao conducts Berlin Symphony Orchestra in Messiaen's L'Ascension, Beethoven's Fourth Piano Concerto (Philippe Entremont) and Strauss' Also sprach Zarathustra. Thurs: Vienna Chamber Orchestra. Sat, Sun and next Mon: Natalia Gutman plays Schnittke's First Cello Concerto (East Berlin 2090 2156)
Philharmonie 20.00 Kurt Sanderling conducts Berlin Philharmonic Orchestra in Saint-Saëns' Second Piano Concerto (Yefim Bronfman) and Tchaikovsky's Fourth Symphony. Fri and Sat: Mariss Jansons conducts Shostakovich's Seventh Symphony. Sun: Bach's B minor Mass (West Berlin 2548 8232)
Deutsche Oper 19.30 Peter Schaufuss' production of Giselle. Tomorrow and Thurs: Don Giovanni. Wed: Il trovatore. Fri and Sun: Messiah. Sat: song recital by Edita Gruberova (West Berlin 3410 249)
Staatsoper unter den Linden 17.30 Tristan und Isolde. Wed and Sat: Paul Dessau's opera Die Verurteilung des Lukullus (East Berlin 2004 762)
● Other events include Pavarotti at the Deutschlandhalle on Fri (West Berlin 8022 424) and a Lieder recital by Bernd Weikl at the Komische Oper on Sun (East Berlin 2292 555)
THEATRE
Ute Lemper stars in The Blue Angel, directed by Peter Zadek, daily except tomorrow at Theater des Westens (West Berlin 3190 3193). Helmut Lohner is Archie Rice in a guest production of John Osborne's The Entertainer by Thalia Theater Hamburg, tonight and tomorrow at Deutsches Theater (East Berlin 2871 225).

■ **FLORENCE**

MAGGIO MUSICALE
Teatro della Pergola 20.30 Katia and Marielle Labeque. Fri: first night of Jonathan Miller's production of Le nozze di Figaro. Thurs and Sat in Teatro Communale: La forza del destino (277 9236)

■ **LONDON**

Covent Garden 20.00 Christoph von Dohnanyi conducts first night of Ian Judge's new production of Der fliegende Holländer, with James Morris and Julia Varady. Runs till July 1, next performance on Thurs. All this week's performances are Midland Bank Proms, with no seats in the stalls. Samson et Dalila (on Sat with Domingo) will be relayed live on Covent Garden Piazza (071-240 1066)
Coliseum 19.00 Monteverdi's Ulysses, with Anthony Rolfe Johnson, also Fri. Tomorrow and Thurs: Falstaff. Wed and Sat: Madam Butterfly (071-836 3161)
Royal Festival Hall 19.30 Lorin Maazel conducts Pittsburgh Symphony Orchestra in symphonies by Mozart and Mahler. Tomorrow: Nikolai Demidenko plays Rakhmaninov. Wed: Young Musicians Symphony Orchestra. Thurs: Artie Shaw conducts classics, clarinettist Bob Wilber plays. Sun: Leonard Slatkin conducts the Philharmonia (071-928 8800)
Queen Elizabeth Hall 19.45 René Jacobs conducts Orchestra of the Age of Enlightenment and Choir in Bach cantatas. Thurs and Sat: Opera Factory in Coronation of Poppea (071-928 8800)
Barbican 19.45 Yuri Temirkanov conducts RPO in works by Sibelius, Schumann and Dvořák, with Eliso Virsaladze piano soloist (also Fri with Salvatore Accardo). Tomorrow: Sumi Jo and Raul Gimenez sing arias and duets. Wed: an evening with Maureen McGovern. Sat: John Williams. Sun: Nigel Kennedy (071-638 8891)

■ **MADRID**

Alfredo Kraus sings in Donizetti's La Favorita tonight at Teatro Lirico La Zarzuela, also June 12, 16, 20 (429 8225). Teresa Berganza takes part in tonight's recital at the Capilla de San Andres de los Flamencos (578 1092). Marcelino Lopez Dominguez gives a piano recital tomorrow at Auditorio Nacional de Musica, followed on Sat by a performance of Mahler's Third Symphony by the Spanish National Orchestra and Chorus, conducted by Aldo Ceccato (337 0100)

■ **MILAN**

Teatro alla Scala 20.00 Lady Macbeth of Mtsensk, also Wed and Thurs. Mara Zampieri and Kristine Ciesinski alternate in title role. Tomorrow: Lucia di Lammermoor. Sun: recital by Cheryl Studer (7200 3744)

■ **NEW YORK**

DANCE
American Ballet Theatre's triple bill at the Metropolitan Opera House tonight features Agnes de Mille's The Other, Mats Ek's Grass and Ulysses Dove's Serious Pleasures. Tues till Sat: Ludwig Minkus' ballet Don Quixote. ABT season runs till June 20 (362 6000). New York City Ballet repertory runs daily except Mon till June 28 in the NY State Theater. Mikhail Baryshnikov will perform in Balanchine's Duo Concertant on Sat evening this week (also June 18 and 19), and in a new work by Mark Morris on June 16, 24 and 27 (870 5570)

■ **PARIS**

DANCE
Cullberg Ballet presents two choreographies by Mats Ek, Tues till Sat at Théâtre de la Ville (4274 2277). Ballet de l'Opéra de Paris has choreographies by Lander, Petit and Neumeier at Palais Garnier on Wed and Fri (4017 3535).
CONCERTS
Annie Fischer is scheduled to give a piano recital at Salle Pleyel on Wed (4561 0630). Ishiro Yoshimura Ensemble plays Kabuki music on Thurs at Théâtre de la Ville (4274 2277). Marek Janowski conducts works by Beethoven and Bruckner on Fri at Opéra Bastille (4230 2308).
OPERA
Tonight at the Châtelet, Daniel Barenboim conducts Patrice Chéreau's new production of Wozzeck, repeated on Wed and Sat (4028 2840). Arnold Ostman conducts Le nozze di Figaro at Opéra Bastille tomorrow, Thurs and Sat, with a cast including Margaret Price and Tom Krause (4001 1616). Il barbiere di Siviglia, opens at the Palais Garnier on Thurs and runs till July 5 (4017 3535). Armin Jordan conducts a concert performance of Don Giovanni at Salle Pleyel on Fri (4561 0630). A month-long Rossini festival opens at Opéra Comique on Sun (4286 8883).

■ **VIENNA**

MUSIC
Theater an der Wien 19.30 Harry Kupfer's Komische Oper production of Carmen. Repeated on Wed and Sun (586 1676)
Musikverein 19.30 Song recital by Josef Protschka. Tomorrow and Wed: Ashkenazy conducts Berlin Radio Symphony Orchestra. Wed in Brahms Saal: Kathleen Battle. Fri: André Previn chamber music evening. Sat afternoon and Sun morning: Previn conducts Vienna Philharmonic (505 8190)
THEATRE
A Vienna Festival production of Lorca's Blood Wedding by Roma Theater Pralipe can be seen daily till Thurs at Remise. Wed till Sun at Ronacher: new production of Calderon de la Barca's two-part drama The Daughter of the Air. Thurs till Sun at Messepalast: Brussels Needcompany production of Shakespeare's Antony and Cleopatra (586 1676).

■ **ZURICH**

Opernhaus 18.00 Lohengrin. Thurs: John Cranko's production of Romeo and Juliet. Fri: Rigoletto: Sat: Die Zauberflöte. Sun: new production of Capriccio (262 0909). Thurs and Fri in Tonhalle: Pinchas Zukerman (201 1580). Sat and Sun: Anne Sophie Mutter and Yuri Bashmet (261 1600)

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MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Monday June 8 1992

Public policy and the banks

FOR THOSE who were worried at the prospect of further shrinkage in the already thin ranks of the British clearing banks, the withdrawal of Lloyds from the battle for Midland will be a cause for rejoicing. Yet the crude numbers remain an exceptionally poor indicator of the public policy fallout in this tightly argued battle.

In terms of the public interest, the respective merits of Lloyds and Hongkong and Shanghai Banking Corporation as owners of Midland always depended heavily on how the problems of the British banking system were defined. If the problem was a lack of competition, a victory for Lloyds was likely to be a mixed blessing, and not necessarily because of the impact on hard-hit small businesses. For it could be argued that banks simply do not behave competitively in this sector in a recession, *tout court*, and that a reduction in clearing bank numbers might not have affected the issue much one way or another. But the Monopolies Commission would probably have raised concerns about other areas of the two banks' businesses.

If, on the other hand, the more pressing problem is surplus capacity, the Lloyds' proposals for pruning branches and employees provided a more efficient solution than anything the Hongkong Bank could offer. The building societies are banks in all but name and competition in retail banking is fierce. In wholesale banking, the barriers to entry have been substantially dismantled, to the delight of the large contingent of foreign bankers in London.

Huge profits

Hongkong Bank raises an altogether different set of issues. With its strong balance sheet and huge profits in Asia, it will undoubtedly lend muscle to a British clearer that has been forced to curb its ambitions because of a conspicuous shortage of profits. While the need to look after sensitivities in Beijing may militate against big injections of capital into Midland, everything nonetheless points in the direction of greater competition, not less, assuming the takeover is completed. The addition of external capital to British banking would also have the beneficial effect of reducing any financial constraint on economic recovery.

Yet increased competition is not an unequivocal boon in banking. Over the past decade, deregulation has done more to destabilise banking systems than to generate beneficial increases in efficiency. Bringing external capital to an already fragile banking market could thus make it even more unstable. Looked at from another perspective, Hongkong Bank's earlier expansionary moves, especially into the US, have not been well managed. Nothing in the past record points to increased efficiency at Midland coming from a powerful new ownership discipline.

Difficult issues

These issues of competition and excess capacity are exceptionally difficult ones. A notable disadvantage of Lloyds' departure from the fray is that they are less likely to be aired at length in public. Yet they need to be. For the huge losses that have been incurred in banking across the world over the past decade call for both radical analysis and novel policy proposals.

It has been fashionable for some time to draw a distinction in banking between so-called niche players and those banks that offer a full range of services. Yet it could be argued that the full-service bank, of which Hongkong-Midland will be an example, is really no more than a collection of loosely-knit businesses whose shape owes more to historical circumstance than any overwhelming synergy or customer need. Were it not for the central bankers' continuing desire to rule out takeovers by non-banks, the aspiring full-service banks would long since have been recognised for what they are: conglomerates. The so-called full range of services would have been unceremoniously unbundled – not least at Midland and Hongkong and Shanghai.

In the absence of a more open market in corporate control, these giants lumber on, their behaviour dictated as much by the quest for size as profit. In the meantime, the casualties – mainly in the US and Scandinavia in the present economic cycle – make bigger and bigger demands on the public finances. It is not a sustainable situation. And it is bizarre that it has yet to find its way on to the policy agenda.

Waiting for Denmark

THERE WAS no need to panic when the Danes rejected the Maastricht agreement on European union last Tuesday. So far, the British government has not done so. There was an initial wobble over whether or not to postpone debate on the bill enacting the treaty, but since then the prime minister has, quite rightly, played for time. His government will respond pragmatically to events as they unfold. Meanwhile, it will follow the plan agreed by the foreign ministers in Oslo, which is to proceed as if the Danes, having voiced their dissatisfaction, can be relied on to come round later.

Any other strategy would be immediately destructive. As leader of the Conservative party, Mr Major must take notice of the growing strength of the anti-federalists, while staying true to the delicate balance he worked so hard to establish during the negotiations. As head of government, he must be sensitive to the switch in national sentiment away from support for the Maastricht accord, without being seen to abandon his commitment to both the European Union and Britain's place "at the heart of it". As president of the EC from July 1, he must consider the interests of a community of 12, and the possible future of a club with perhaps 20 or more members.

Yet there is always danger in a minefield, even when you proceed with extreme caution, and especially when you move ahead in a straight line. The bill to ratify the Maastricht deal will have to be withheld from further parliamentary consideration until the whips can be certain they will get it through. The Labour party is aware that a government with a majority of only 21 can be embarrassed, particularly on an issue on which the ruling party is divided.

Another upset

The Irish electorate, thought to be in favour of a "yes" vote, may cause another upset at their referendum in 10 days' time. If they accept the deal they may temporarily neutralise the effect of the Danish rejection, but that would not be the end of it. A popular vote called for by President Mitterrand follows later in the year. The polls suggest that the French electorate will not reject the deal, but in its present mood its response to a long summer "anti" campaign cannot be taken for granted.

At the same time, the pressure for a British referendum is growing. The anti-federalists see it as a glorious opportunity to smash the Maastricht deal. The Labour party has not succumbed to the temptation to make mischief, but the possibility is always there. There is a decent argument in favour of a British consultation, namely that since all the parties contesting the general election in April were in favour the public has not had an opportunity to vote on the proposed treaty. Against this must be set the fact that no fringe anti-EC election candidates have succeeded in making an impact. Yet the weekend polls suggest there is strong public support for a chance for the British people to have a direct voice in the proceedings.

Theoretical merits

The theoretical merits of the case are, however, outweighed by the practical damage that a government espousal of a referendum would do. It could be widely misinterpreted at home as a chance to vote "against the common market". In the rest of the community, it would almost certainly be seen as a reversion to the traditional, ever-negative, insular opposition to all things European that has kept Britain on the sidelines for most of the past 40 years. It would weaken the authority of Britain's EC presidency when there is much work to do, not least on enlargement and the community budget.

What was agreed at Maastricht was imperfect, but then any closely-negotiated agreement between 12 states is likely to be. It does, however, represent a workable way forward for European union, in a direction that should give greater comfort to those who wish to preserve the strength of national governments than to the proponents of a super-state. The EC does not need to become a superstate to achieve the cohesion needed to compete economically with Japan and the US and to reinforce its position as the pillar of political stability in a continent of shifting forces. But to achieve these ends, the Community needs workable co-operative mechanisms of the kind the 12 sought at Maastricht. The excitable politics of referendums do not alter that.

Solidarity meets social change

Union membership is falling and the labour movement may be losing its 'critical mass', writes David Goodhart

Continental Europe has been experiencing a hot spring of labour unrest. Workers in Germany, the Netherlands, Spain, France and Italy have been taking industrial action over the past few weeks from varying positions of strength and weakness.

If there has been any common factor linking the disputes it has been a reaction to governments' or employers' trying to squeeze inflationary expectations as European monetary discipline bites.

Government and employers in the UK have been trying to do the same. Yet absent from the strike list are British workers, once famed for their militancy, and still among the most highly unionised in Europe. This is no fluke; in 1991 the number of days lost through strikes in the UK was the lowest since records began 100 years ago.

The absence of strikes says something about how UK industrial relations have changed, although it is not necessarily a sign of the terminal weakness of organised labour. In Scandinavia, where unions are strong, strikes are rare. In countries like the US and France, where unions overall are weak, they are common in certain sectors.

Indeed, the reforms introduced by Britain's Conservative government in the 1980s, curbing the use of the strike weapon and making unions more accountable to their members, not only improved industrial relations but also, arguably, strengthened the support for apolitical trade unionism.

Contrary to much of the union rhetoric of the time there was no "attack" on trade unionism in the 1980s in the sense – well understood by American trade unionists – of widespread derecognition of unions and refusal by employers to continue collective bargaining.

Yet, after the failure of the Labour party to win the general election, could the 1990s be the decade in which the unions start to lose that critical mass which still makes them a force to be reckoned with in British industrial life?

At the very least, they will face another five years of unfriendly government, falling membership as jobs continue to shift from manufacturing to thinly unionised services, and employers able to set the bargaining agenda.

Some union leaders claim to detect a more conciliatory spirit in the new Tory government – undogmatic Mrs Gillian Shephard at the Employment Department and interventionist Mr Michael Heseltine at Industry – but they may be confusing style with substance.

The leaders of the Trade Union Congress meet Mrs Shephard tomorrow and will have a chance to find out. She has inherited an employment white paper more openly opposed to collective bargaining and traditional trade unionism, and more enthusiastic about re-establishing a direct relationship between employer and employee, than any of the white papers from the Thatcher years.

She has also inherited legislative plans that could radically speed up the decline in union membership. According to Professor Paul Willman of the London Business School, the government plan to end the system by which employers deduct union dues from employee pay packets could cut union membership by up to 15 per cent, when it is introduced next year, so making worse the financial crisis many unions face.

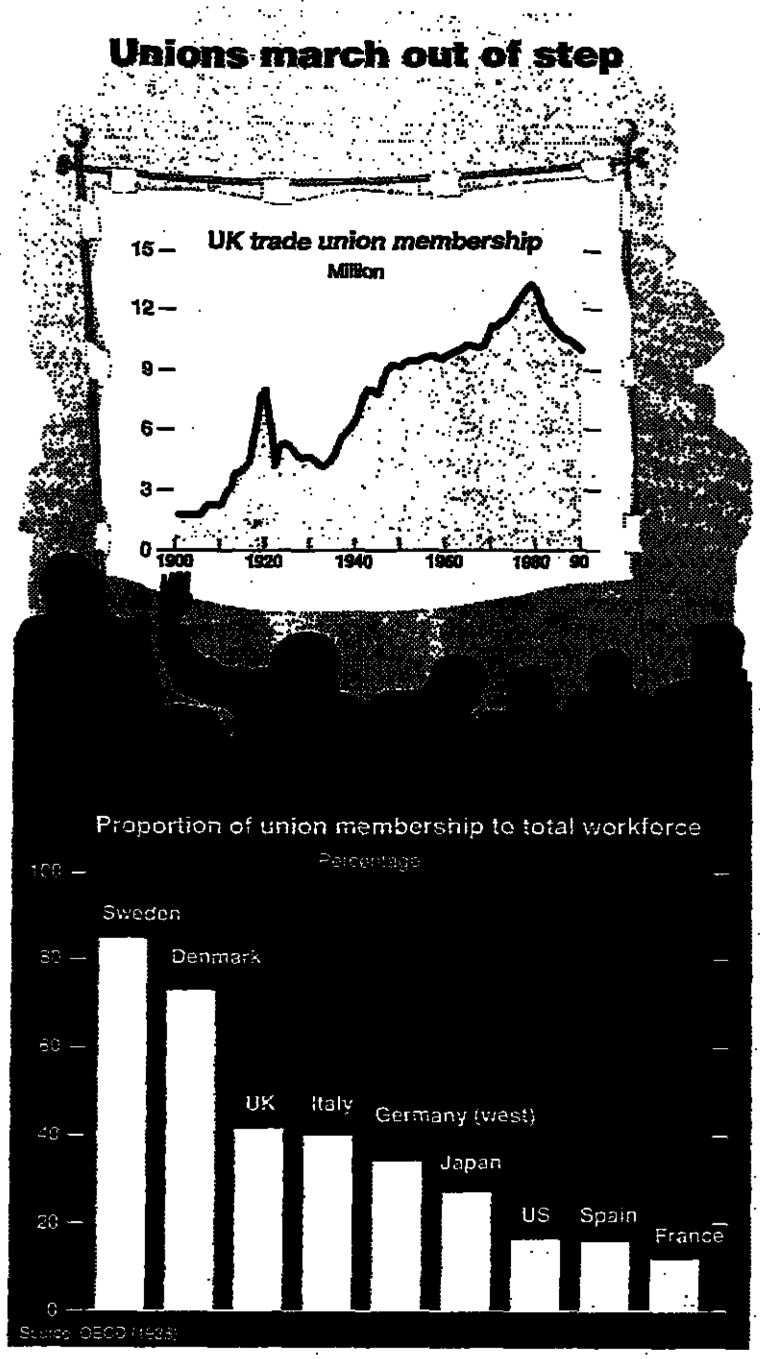
Furthermore, the government's plans to decentralise large parts of the public services and introduce private sector management practices and local pay bargaining could undermine the heartland of trade unionism. According to the 1991 British Social Attitudes survey, 69 per cent of public sector workers are in a union, compared with 27 per cent in the private sector.

The trend in the private sector is one of inexorable decline. Professor David Metcalf of the London School of Economics says: "By the end of the decade, union membership will be below 20 per cent because of the growth in services at the expense of manufacturing."

Even in manufacturing industry, union density – the proportion of union members in the total workforce – is down to about 40 per cent thanks to union failure to recruit in growth sectors like electronics.

Yet the bleakness of the outlook for the unions should not be exaggerated. There is no evidence that UK industrial relations is following the US pattern, where unionisation has fallen from nearly 40 per cent of employees in the 1940s to about 12 per cent today.

Even in UK service industries, supposedly a no-go area for unionism, there are exceptions to the rule. Take the high street of a typical town in south-east England: Midland Bank, Barclays Bank, the post office, the railway station, W H Smith, and J Sainsbury are organisations that recognise unions and bargain with them centrally.



The unions have lost 3.5m members since 1979, but they still have just fewer than 10m members, including non-TUC affiliated unions. That is a respectable 38 per cent of all employees, excluding the self-employed.

Collective bargaining still covers more than half of all UK employees and has an influence far beyond its formal boundaries with many non-union employers shadowing union agreements. Decentralisation of bargaining in the private sector, and the winding up of national agreements, has often played to union strength at plant level.

Derecognition is slowly picking up but has been relatively rare over the past decade apart from a few spectacular cases like Mr Rupert Murdoch's shedding of the print unions at his Wapping plant and a trickle of less prominent ones involving professional and managerial staff.

One reason deregulation has not gathered pace is the flexibility of the unions – represented nationally by figures such as Mr John Edmonds leader of the GMB general union and Mr Bill Jordan leader of the AEEU craft union.

Such unions have accepted much of the new "human resources management" personnel agenda with its emphasis on labour as a resource, not just a cost, which needs to be trained, developed and communicated with – often by-passing union channels.

And so rare has been the opportunity to acquire new members that unions have competed to offer single union, no-strike deals, with complete labour force flexibility on greenfield sites. Many established sites have started to win similar changes, for example, the recent Japanese-style working practices deal at Rover cars.

This new flexibility, which the unions have been forced to accept, has helped to wipe out the historic productivity gap between union and non-union companies and thus removed an important incentive to de-unionise.

Despite relative union weakness, and high unemployment, union negotiators have comfortably protected their employed members' pockets since 1979. When comparing similar jobs, union membership still benefits employees. The union mark-up has fallen slightly in the past few years, but is still a 5 per cent improvement on the pay of comparable workers not covered by collective bargaining.

Pay rises are increasingly exchanged for productivity gains but, nevertheless, unit labour cost increases over the past few years have generally been markedly ahead of the UK's main competitors and average earnings increases – currently 7.75 per cent on an annualised basis – have remained at least two percentage points ahead of inflation.

This continuing pay problem prompted the National Economic Development Council to speculate recently that the UK has the worst of both worlds in industrial relations. Unlike the US, the UK has had sufficient collective bargaining to push wages up but has not been centralised enough to follow Scandinavia and Germany in co-ordinating pay in line with what the economy can afford.

But following the US path may not help to keep wages down, as collective bargaining is no longer the only, or even the main, culprit in high pay deals. Between 1979 and 1990, the real earnings of manual workers, mainly covered by collective bargaining, rose only 11 per cent, compared with a 33 per cent rise for non-manual workers, the vast bulk of whom are not covered by collective bargaining.

So there is unlikely to be strong political or employer pressure for a US-style solution, but the unions still face a slow dwindling of their influence. Will they be able to halt that trend?

They will only by making better use of their meagre resources. Many unions still do not know what a departmental budget is and many union leaders are too preoccupied with politics to manage their organisations efficiently. Breaking the links with the Labour party might help. So, too, could a further concentration of functions at the TUC.

Labour's defeat makes more likely a historic merger between the two great general unions, the GMB and the TGWU, to add to the other mega-unions. Unison, the 1.4m strong mega-union planned for the public sector, should make it easier for the highly centralised public sector unions to deal with the challenge of de-centralisation by allowing them to fund bargaining expertise at local level.

But in the longer run, as collective bargaining over pay withers, union survival will depend on finding a role which complements the growing importance of the law at work. Acas, the government conciliation service, last year reported another record work-load for industrial tribunals.

One pointer to the future could be the attempts by the National Communications Union, the main union in British Telecom, to expand outside its dwindling base into the fast growing but mainly non-union communications sector.

The NCU is unlikely to win traditional pay bargaining rights at Mercury, BT's non-union rival, or in the small cable television companies where it is recruiting. But it hopes to build up a substantial membership on the basis of legal support in disciplinary and redundancy cases, health and safety expertise, and the union discount services, such as cheap loans, insurance and travel.

In smaller companies, unions like the NCU hope to play a quasi-personnel role advising employers as well as employees on employment law. In larger companies, the unions might also find a role dealing with the many grievances that arise when collective bargaining is abolished and replaced with individual performance measurement and individualised pay packets.

Advisory organisations providing services to individual employees may not be a form of trade unionism that the movement's founding fathers would recognise, but it is the best hope for British trade unionism in the 21st century.

EC sports shoe quota treads on a few toes

A footwear dispute is forcing Brussels to tackle curbs on imports from non-Community countries, says Andrew Hill

The chill wind of global competition is beginning to blow through the European market in espadrilles and galoshes.

National trade experts and European Commission officials have seen an awful lot of shoes over the past few weeks. They range from smart ladies' court shoes, imported into the UK for just £3, and selling very nicely thank you at £9.99 the pair, to top-of-the-range "pump" training shoes, which are snapped up for more than £54.90.

All these shoes are made in the People's Republic of China. The difference between them is that, following agreement by trade officials last Thursday, EC imports of waterproof footwear and beach-shoes should be completely unrestricted from January 1 1993, while court shoes and trainers are likely to be subject to a Community-wide quota.

The agreement has implications beyond the price and style of footwear in a single European market. If the decision is confirmed at a meeting of EC member states, to be held within a few weeks, it could represent an important test case for reform of the chaotic system of national quotas between EC members and external trading partners.

The sensitivities of reform are manifest in the shoes saga. While a number of parents would doubtless welcome some Community-wide restriction on their offspring's purchase of expensive training shoes, the quota proposal has trodden on the toes of several companies. Nike, Reebok, LA Gear and others have all employed legal counsel to fight their case in Brussels.

Their lawyers and lobbyists argue that the political point of imposing a Community quota – to protect the EC footwear industry and the 500,000 or so jobs dependent on it – is not relevant in the case of trainers. The so-called "high-tech" shoes which spearhead the lucrative market are not made in the EC. A quota will needlessly increase costs, and possibly prices.

But Brussels officials are more concerned to tackle the fundamental trade question: with the advent of the single market, what should be done about residual national quotas applied over decades to imports of everything from bicycles to umbrellas made in so-called "state trading countries" – China, North Korea, Vietnam?

These countries are outside the General Agreement on Tariffs and Trade (Gatt); as a result, the EC can freely impose trade restrictions and duties.

The problem is that individual national restrictions do not work. For example, Britain – the only country this week to oppose a Community-wide quota – has a tough national limit on Chinese shoe imports, but the Irish Republic has no limit. As a result, Commission officials say there has been a 380 per cent increase in Chinese shoes imported into Ireland in the first quarter of this year. Trainers are crossing the Irish Sea in huge numbers.

In other areas of trade, the national quotas are a standing joke. "We get people calling us up saying: 'We can't export into the UK because the British quota is used up – which other countries are free?'" says one Commission official.

When internal EC frontier controls are abolished at the end of this year, national limits will be even more difficult to enforce, so the Commission has to decide how to rationalise the network of restrictions. It has two options: to "communitise" – to set a single Community quota, enforceable at external EC frontiers – or to liberalise.

Reform of the system of restrictions likely to be a painfully slow process. This is mainly because the history of commercial links with state trading countries is not really about trade at all, but about politics. Central and east European nations used to be classified as state trading countries, and movement to harmonise national restrictions was imperceptibly slow. That was the case until one Friday in 1988, when member states suddenly decided that Hungary was emerging from behind the Iron Curtain, and a Brussels official had to prepare a regulation abolishing all EC trade curbs affecting it by Monday.

In the case of China, it will take some time to find the same political will. But in the meantime the Commission is trying to chip away at the national quotas. For the trainer manufacturers, however, the fight is not over: national experts must meet again to discuss member states' technical objections to the measure, including its effect on the sports shoe market.

But Commission officials believe the fuss kicked up by the sports shoe companies is less important than the battle Brussels appears to have won with the member states. If agreement on a harmonised quota can be turned into a formal decision, the way could finally be opened to further simplification of the byzantine structure of individual barriers to trade with non-EC countries before the end of the year.

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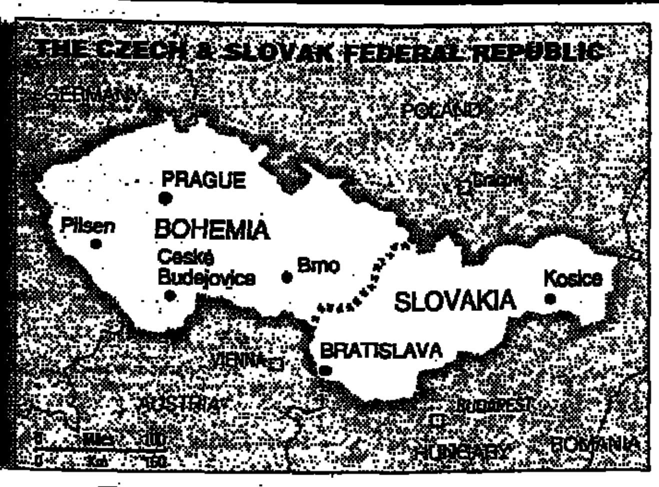
Dr Vaclav Klaus



Vladimir Meciar

Czechs and Slovaks reconsider the federation

Following weekend elections, the two peoples may be heading for a 'velvet divorce' write **Anthony Robinson** and **Ariane Genillard**

The fate of Czechoslovakia now rests with two powerful politicians after weekend elections revealed the strength of left-wing separatist feelings in Slovakia and strong support for western-style economic reforms in the Czech lands.

Voters in the economically more advanced and populous Czech republic, with its capital in Prague, strongly supported the Civic Democratic party (ODS) led by Mr Vaclav Klaus, the federal finance minister. But Slovaks in the economically fragile eastern part of the federal state voted overwhelmingly for Mr Vladimir Meciar, leader of the Movement for a Democratic Slovakia. Mr Meciar has promised that Slovakia will no longer be dictated to by Prague but until now has stopped short of demanding outright independence.

The two men, who will dominate their respective republican parliaments, will have to make difficult compromises at a federal level which will test their political skills to the utmost if the Czech and Slovak federation is to survive.

In the Czech republic, the results are a personal triumph for Mr Klaus, and a blow to the pollsters who predicted the ODS would only pick up about 20 per cent of the vote. It got more than 30 per cent.

The polls failed to register how Mr Klaus managed to win the pocket-book loyalty of millions of voters by implementing the first stage of mass privatisation before the election.

More than 8.5m voters went into these elections as the owners of voucher books entitling them to shares in thousands of Czech and Slovak companies now being privatised. Mr Klaus has made sure that millions of Czechs and Slovaks have a stake in the successful outcome of economic reform.

At a first glance, the election results indicate that this has mainly affected voters in the Czech lands. Many Slovak voters responded instead to Mr Meciar's argument that an arrogant Prague had imposed macro-economic policies which failed to reflect the different needs of Slovakia's weaker and more vulnerable economy, still heavily based on arms and heavy industry.

But finding common ground on constitutional issues will be as difficult as bridging the wide economic differences. Over the last two years, Czech and Slovak politicians have tried and failed to write a new constitution to replace that inherited from the communist regime which was swept away by the November 1989 "velvet revolution".

The question is whether Mr Klaus and Mr Meciar, having emerged as clear leaders in their respective republics, have the political and personal skills to negotiate a new basis for co-existence.

At present, legislation in the tri-cameral federal assembly has to be approved both by the mixed Chamber of Peoples and the Chamber of Nations, where Czechs and Slovaks have equal weight and vote separately. This allows a handful of Slovaks to veto constitutional or legislative changes.

> **Mr Meciar calls for greater state intervention financed by budget deficits, if necessary**

The first indication of a willingness to compromise will come early next month with a presidential election by the new parliament. The Civic Forum coalition, which backed the incumbent, Mr Vaclav Havel, split 15 months ago and is now dead. Mr Havel, a Czech, will need Mr Meciar's Slovak votes to be re-elected.

Mr Klaus, whose ODS was the only party to fight the election in both republics, apart from the neo-fascist republican party of Mr Miroslav Sladek, rejects any idea of a looser confederation and insists that a future reformed federation must rest on a common currency, a single central bank, close co-operation in fiscal and monetary policy and commitment to market reforms.

This would leave the federal government with crucial economic powers against the wishes of Mr Meciar, who wants economic decisions to be made in Bratislava, the Slovak capital. Mr Meciar calls for greater state intervention, financed by budget deficits if necessary and a Slovak central bank.

This is anathema to Mr Klaus, who campaigned on the principle that the federation is only worth preserving if it is based on "sound principles". If not, he says, it would be better to opt for a "velvet divorce".

One of the few areas of common ground is the belief that dissolution of the federal republic would not lead to the ethnic violence which has characterised the partition of former Yugoslavia.

The elections, in which over 80 per cent of the electorate voted, were impeccably peaceful. Together the Czechs and Slovaks ran the most successful democracy in central Europe between the wars. But Slovaks have long resented Prague's dominant role which has fueled the desire for Slovak national sovereignty.

If these resentments lead to political divorce, however, it would inevitably distract attention from economic reform. It would also cost the Slovak budget an estimated $500m in annual subsidies from the Czech lands and lead to a projected 100 per cent devaluation of the new Slovak currency. After several recent devaluations, the federal currency, the koruna, is stable at about 29-30 to the US dollar.

By contrast, the Czech lands, released from the burden of subsidising Slovakia, and benefiting from proximity to the German and other EC markets, would probably become even more attractive to foreigners. Investment bankers in Prague say mainly US and EC companies have projects worth up to $5bn in the pipeline. Several dozen projects are only awaiting Czech government approval before they can start. The attractiveness of investment has been reinforced by the strong vote for rapid privatisation and market reforms.

Slovakia has received some recent foreign investment, like Volkswagen's new assembly plant in Bratislava and a joint venture with Whirlpool, the US domestic appliance group. But over 80 per cent of foreign investment so far has been in the Czech lands. Secession and a lesser commitment to economic reform would further reduce Slovakia's attractiveness to foreign investors who are desperately needed to help restructure the economy.

Apart from the strong economic arguments for remaining attached to what is likely to be an increasingly powerful Czech economic "locomotive", Slovakia has a 600,000 strong ethnic Hungarian minority, an unresolved conflict with Hungary over the controversial Gabcikovo dam project on the Danube and a disputed border with a resurgent independent Ukraine. This is a potentially dangerous part of the world for a small country on its own.

But Czechs too would be diminished if Slovakia peeled away, leaving them alone to face the unresolved issue of compensation for the 3m ethnic Germans expelled after the last war. Heavy German investment has already stirred the first worries about the long-term risks to the survival of Czech culture as a small country of only 10m people.

These are powerful, common sense reasons for Czechs and Slovaks to re-negotiate the basis of their continuing co-existence.

Before the election, president Havel told voters they had the power "to make Czechoslovakia a focus of European stability or a place of permanent conflict . . . and permanent political and constitutional crisis". The voters have spoken. It is now up to their elected leaders to decide which path the country chooses.

LETTERS TO THE EDITOR

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Maastricht ratification would herald legal maze for business

From Mrs Celia Hampton.

Sir, Politicians might like to consider the plight of the European businessman – an intended beneficiary of the single market of 1993 – if the 11 decide to ratify the Maastricht amendments without Denmark.

In 1993, the businessman will have to obey the amended EC Treaty in 10 countries, including its new legally-binding objectives. Some of these, such as the protection of consumers and the environment, are highly relevant to everyday business and will be given practical meaning by the European Court.

In the UK, he will be able to ignore some of the employment-related rules agreed by the 10, but he will have to comply with the new objectives. In Denmark, he will have to comply with Community law as it is at present, but he can ignore the new objectives. In Sweden, Switzerland or the other EFTA countries, he will also have to obey existing Community law, without the new objectives, under the EEA Agreement, but reliance on Community law will be more precarious because there will be no common court to enforce it. In Czechoslovakia, Hungary and Poland he will have to obey the parts of Community law which are embodied in the three Association Agreements.

These extra layers of Community law will be in addition to the burden of complying with local national laws. One could hardly blame the businessman for staying at home: he will need a battery of lawyers to advise him every time he strays abroad. For whose benefit were the Community and its single market conceived?

For Community law, the Maastricht compromise allowing the UK to secede from part of the Treaty (the "social protocol") contained the seeds of destruction. Adoption of the Maastricht amendments by only some of the EC will secure germination.

Celia Hampton,
executive editor,
FT Business Law Brief,
40 Anson Road,
London N7 0AB

No security compromise

From Dr B Wharmby.

Sir, I would like to correct an impression given by Mr Hanson (Letters, May 22) that the licence condition derogation granted to National Grid for the connection of the Greystones Power Station may compromise system security.

The derogation will allow output from Greystones to be sold into the electricity pool before associated grid system reinforcements are complete. The station will be able to generate at full output under normal grid system conditions, but with a severely restricted output when transmission outages occur. Arrangements will be made by National Grid for automatic reduction of station output when required. Thus Greystones itself will be connected at a reduced level of security. The remainder of the system, including connections to other power stations and regional electricity companies, will operate to the standards placed on National Grid by its transmission licence.

Security of supply to customers will be unchanged by this arrangement, but customers will stand to benefit from the earlier introduction of an efficient power station on to the grid system.

B Wharmby,
technical director,
Office of
Electricity Regulation,
Hagley House,
Hagley Road,
Edgbaston,
Birmingham B16 8QG

Training in UK needs to be formalised

From W J Goldfinch.

Sir, Sir John Cassels admirably explains (Personal View, June 2) why so few 16- to 18-year-olds benefit from education and training on a par with Britain's competitors. Our "system" works against the grain of human nature. Sir John's solution works with it.

As he says, all 16- to 19-year-olds' further education has to be state-funded and the cost of trainees' pay or, preferably, allowances, has to be balanced by the value of the trainee's output. In the interests of the trainee, there should be a formal training contract, culminating in a nationally recognised qualification.

Employers need to be involved to ensure the quality of craft-technician level vocational programmes remains ahead of our competitors. There is a danger it will not, as more young people remain in full-time education, unless a market system as described by Sir John is created.

The Engineering Employers' Federation has been campaigning for such changes. Early Youth Training Scheme policy was establishing the right attitudes, funding, training contracts and trainee allowances. Regrettably, the essential national qualification and quality control system was not then in place. A critical first move would be for the government to reinstate those early policies and use training credits as the funding mechanisms.

W J Goldfinch,
managing director,
AVO International,
(chairman, EEF education, recruitment & training policy committee),
Archcliffe Road,
Dover, Kent CT17 9EN

Institute plans to act on Cadbury corporate governance report

From Mr W I D Plaistowe.

Sir, A number of the Cadbury report's recommendations on corporate governance require action by the accountancy profession. These are now being addressed urgently by my institute.

● Internal controls: The institute made several submissions to the Cadbury Committee, one of which recommended that listed companies should report publicly on the state of their internal controls. The institute, with the 100 Group of Finance Directors, and the Institute of Chartered Accountants of Scotland, has set up a working group to examine the practicalities of reporting on internal control from the business viewpoint, and to take forward Cadbury's recommendations.

● Going concern: A similar working group will look at guidance for company directors on the Cadbury recommendation that they should state in their report that the business is a going concern. This work will be complementary to that relevant to the proposals of the Auditing Practices Board on this subject.

● Rotation of audit partners: The institute also plans to carry out work on the Cadbury Committee's proposal that the profession should draw up appropriate guidelines for periodic changes of audit partners. Careful consideration will be given to the implications of this, with a view to the possible production of ethical guidance by the three institutes of chartered accountants.

● Prelims and Interims: The auditing committee of the institute recently issued a discussion paper on the need for preliminary announcements of listed companies' annual results to have audit approval. It is also considering the role of the auditor in relation to interim statements and will take account of the Cadbury Committee's recommendations on the subject.

● Research: The institute has earmarked funds for any research proposals which would carry forward the Cadbury Committee's work.

W I D Plaistowe,
president,
Institute of
Chartered Accountants,
Chartered Accountants Hall,
Moorgate Place, London EC2

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OBSERVER

Extra time for Dunkel

■ Long-suffering Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, looks like breaking yet another of the deadlines he has set in recent years – that for his own retirement.

Ambassador Lars Anell, Swedish head of the Gatt committee responsible for finding a successor, is being told by other Gatt ambassadors that the uncertain plight of the Uruguay Round of world trade talks makes it impossible to pinpoint the right person.

In December, when Dunkel released his "Final Act" – a draft Uruguay Round agreement meant to break deadlock in negotiations that began in Punta del Este six years ago – he announced he'd retire at the end of 1992. That was the date by which the trade agreement was due to be implemented.

He also set a deadline of Easter for negotiators to agree in principle to the final act's terms, hoping his scheduled resignation would force the pace.

Alas, with Easter well past, US and EC trade negotiators are still wrangling over dismantling farm protection. Prospects for an agreement by the year end are dimming by the day. Ambassador Anell, supposed to start formal discussions with Gatt signatories on the search for a successor at the beginning of July, is being informally told he is wasting his time.

Two factors are inhibiting the search. First, there are fears that if Dunkel retires before his final act is endorsed, the draft will die with his departure. "There are a number of officials who see him as the guarantor of the draft," said a senior member of a western Gatt mission. Second, without successful conclusion of the Uruguay Round, it is not possible to tell candidates what kind of institution they'd be heading.

Current betting is that Dunkel will be asked to stay on for a further six months. But, this time at least, nobody's setting any firm deadlines.

Wigging

■ It seems that new Lord Chief Justice Lord Taylor has not yet convinced everyone that judges are user-friendly and in tune with the times. A piece of graffiti at Knightsbridge Crown Court reads: "The Ice Age wiped out the dinosaurs, but how did the judges survive?"

Of course, carbon-dating of the inscription may show it was written during the tenure of Taylor's predecessor, Lord Lane.

Unwinding

■ Another tell-tale sign that all is not well at Wasserstein Perella, the high-flying international investment banking boutique?

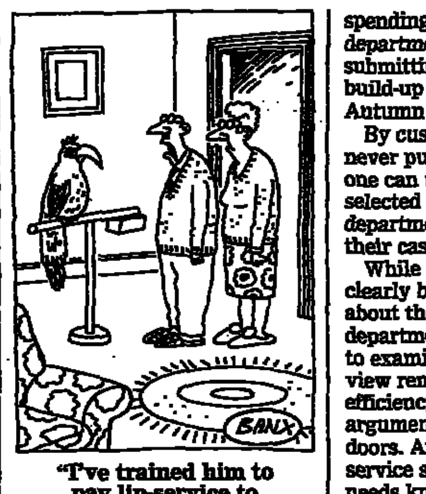
Alan Stephenson, co-head of the merger and acquisitions advisory group, has decided to hand in his notice and return to his old law firm, Cravath, Swaine & Moore.

He insists his decision to jump ship says nothing about the future of Wasserella, founded by former Wall Street takeover superstars Bruce Wasserstein and Joe Perella, "I had never lost my interest in law," explains Stephenson who is expected to re-recruit old clients such as Time and CBS.

Even so, the departure of a professional of his calibre suggests that some of the other big names lured to Wasserella a couple of years ago may be rethinking their careers.

At 69, the London operation's chairman Lord Haslam is probably too old to bother about moving. But one wonders how much longer an ambitious type like Sir Peter Levene, 50-year-old former head of defence procurement at Britain's defence ministry, is going to hang around.

After all, if Levene was working flat out on Wasserella business, he'd surely not be collecting odd jobs such as the chairmanship of the Docklands Light Railway – let alone have the spare time to advise the prime minister on efficiency.



"I've trained him to pay lip-service to the environment"

Closed tender

■ Wouldn't it be nice if Premier John Major's commitment to open government shed some light on Whitehall's secretive system for deciding public spending?

Opening up the process to public scrutiny might arguably help the government to reach better decisions. But officials have rejected requests for publication of details of the spending bids different departments are now submitting as part of the build-up to the Treasury's Autumn Statement.

By custom, the papers are never published, though no one can rule out "leaks" of selected contents by individual departments anxious to press their case for more money.

While the public would clearly be better informed about the issues if different departments' bids were open to examination, the official view remains that government efficiency is best served if the arguments go on behind closed doors. Another piece of civil service stone-walling that needs knocking down.

Explained

■ It won't be all plain sailing at actuaries R. Watson's forthcoming seminar. The first session is called "A plain man's guide to the US benefit scene", and the second "A plain man's guide to the Canadian benefit scene". But the next is "Expatriates: benefits and related tax issues."

The reason for the style-change isn't hard to find. While men will present the first two, the third will be run by Ruth Ryals of George Beram & Co in Boston. "A plain woman's guide..." would be less than politically correct.

Foot note

■ As the Inter-City train makes yet another unscheduled stop, an irate passenger snarls at the conductor: "This service is appalling, I have urgent appointments in town. Can't you go any faster?"

"I certainly could, sir," the British Rail official replies, "if I didn't have to stay on the train."

TAYLOR WOODROW
Teamwork in Construction
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FINANCIAL TIMES
Monday June 8 1992

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Serbs prepare to launch final attack on Sarajevo

By Judy Dempsey in Belgrade

SERB militia forces were yesterday preparing to launch a sustained and final offensive against the besieged Bosnian capital of Sarajevo as United Nations officials tried to put the finishing touches to an agreement aimed at re-opening the airport.

Large parts of the city were in flames after a weekend-long artillery and mortar attack by Serb militia forces and the rump Yugoslav army. Thirty people, many of them civilians, were reported killed. The airport, like Sarajevo, has been blockaded for the past nine weeks.

Mr Cedric Thornberry, the UN's special envoy to Sarajevo, said that without agreement on lifting the blockade, the people of Sarajevo would soon die of starvation. They have been without supplies of food, water, electricity and medicine for more than two months.

It will take a few days for the UN to complete the negotiations, which entail the deployment of 1,000 UN troops in a 10km ring around the airport. But the talks could collapse, as have many ceasefires and agreements.

Mr Thornberry, however, insisted the UN would keep trying. "We must press on. We must reach agreement," he said.

Mr Mirsad Beserovic, a journalist at Radio Sarajevo, said: "The Serb irregulars know time is running out for them. This is no longer a war of conquest by Serbia over Sarajevo. It is a war of destruction. It is pure evil."

Serb militia and irregulars continue to blast everything in sight. They tried to bomb the local reservoir, the government headquarters, and every administrative building in the city. The Hotel Europa was smashed yesterday morning.

Despite the bombardment, the closely-knit, besieged community of Moslems, Croats and Serbs refuses to give in to despair.

"We see some hope in the UN negotiations," Mr Beserovic said. "We still hope that other forces, including Nato, will intervene and save us."

Mr Beserovic vowed Sarajevo would not become a second Vukovar, the Croatian city razed last autumn by the Yugoslav army.

George Graham in Washington writes: President George Bush and Mr John Major said they had no plans to move beyond the current UN economic sanctions *against Serbia and Montenegro.* "We stick with the sanctions, and we make them tough," Mr Major said after meeting Mr Bush at the president's Camp David retreat.

Milosevic fails to convince he is powerless, Page 3

Bush adviser seeks clemency for former Ferranti executive

By Alan Friedman in New York and Tom Flannery in Lancaster, Pennsylvania

A TOP intelligence adviser to US President George Bush has written to a US judge to try to help win a lighter prison sentence for Mr James Guerin, the convicted former deputy chairman of Ferranti, the UK defence electronics group.

The letter, from Admiral Bobby Ray Inman, marks the first time any US government official has substantiated Mr Guerin's claim that he worked secretly with the Central Intelligence Agency and other agencies.

Disclosure of the letter could have repercussions in US political circles, as well as among members of the board of Ferranti in Britain.

Admiral Inman, a former deputy director of the CIA who is the acting chairman of Mr Bush's foreign intelligence advisory board, is also a paid member of the proxy board of a Ferranti US offshoot. Such "buffer" boards comprising former US government officials are required by law for American subsidiaries of foreign companies engaged in classified contracts.

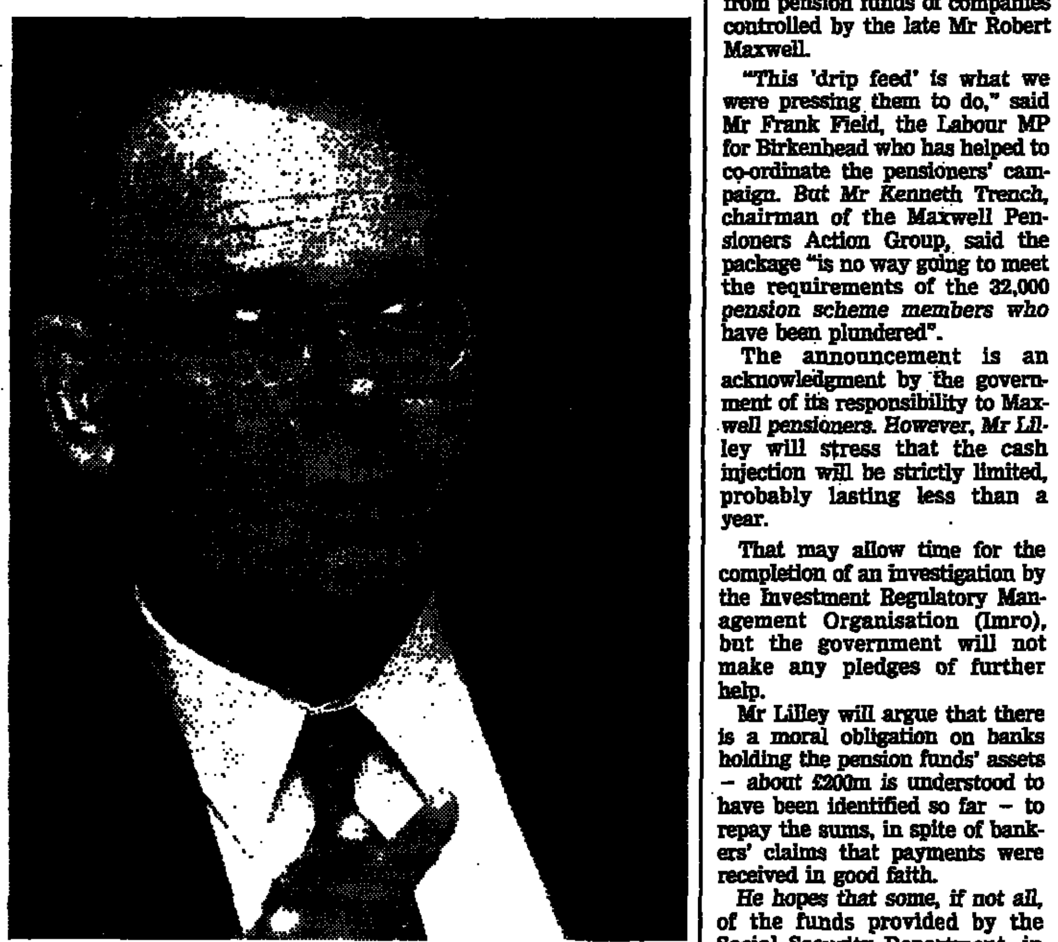
Admiral Inman yesterday denied any conflict of interest between his proxy board role and his writing a letter that could help a convicted former Ferranti executive to receive a shorter prison term.

Both Ferranti's US lawyers and the prosecutors are hoping for a heavy prison term for Mr Guerin.

Ferranti, which only learned of the letter at the weekend, is believed to be paying Admiral Inman about $25,000 a year.

In London, Mr Eugene Anderson, the US-born Ferranti chairman, was last night believed to be considering a response. *Mr* Jim Shinehouse, president of Ferranti USA, said he was only authorised by London to state: "At this time Ferranti chooses *not to make a comment.*"

Mr Guerin, who in 1987 sold International Signal and Control (ISC) of Pennsylvania to Ferranti, will be sentenced tomorrow after agreeing a plea bargain in the US on charges of defrauding Ferranti of $1.1bn. He was also charged with $950m of money laundering and the illegal transfer of military technologies to South Africa and Iraq.



James Guerin: light sentence sought by top Bush adviser

Admiral Inman's letter to Judge Louis Bechtle in Philadelphia is dated April 27 1992 and was submitted by Mr Guerin's lawyer along with a memorandum arguing for a reduced prison term. It says the former Ferranti *deputy chairman* "*displayed* patriotism toward our country" during work with US intelligence agencies in the 1970s.

Admiral Inman, travelling in Germany, said yesterday he submitted the letter on behalf of Mr Guerin "because his lawyer asked me to". He said he had testified previously before a grand jury that Mr Guerin's activities in the 1980s, – when ISC provided missile testing and anti-aircraft radar systems to South Africa, – were not approved by the US government.

Mr Inman claimed his letter was dictated by a desire to be fair "because there was an earlier time when Mr Guerin was constructive. I see no conflict".

Maxwell pensioners to receive temporary cash help

By Ralph Atkins in London

TEMPORARY financial help worth up to £5m for those pensioners worst hit by the raiding of pension funds belonging to Maxwell companies will be announced by the UK government today.

As Mr Peter Lilley, social security secretary, prepares to unveil a lifeline for some Maxwell pensioners, plus an independent review of UK pension law, it has emerged that the Department of Trade and Industry is considering launching its own investigations into the affair.

Mr Michael Heseltine, trade and industry secretary, may appoint inspectors to look for possible breaches of company law *in areas of the Maxwell empire* not already subject to inquiries by the Serious Fraud Office.

The government's announcement of financial help coincides *with a large-scale lobby by Max*well pensioners at Westminster today. Early indications were that the cash injection would help calm the political protests *that have grown since the discov*ery of more than £400m missing from pension funds of companies controlled by the late Mr Robert Maxwell.

"This 'drip feed' is what we were pressing them to do," said Mr Frank Field, the Labour MP for Birkenhead who has helped to co-ordinate the pensioners' campaign. *But Mr Kenneth* Trench, chairman of the Maxwell Pensioners Action Group, said the package "is no way going to meet the requirements of the 32,000 *pension scheme members who* have been plundered".

The announcement is an acknowledgment by the government of its responsibility to Max*well pensioners. However, Mr Lil*ley will stress that the cash injection will be strictly limited, probably lasting less than a year.

That may allow time for the completion of an investigation by the Investment Regulatory Management Organisation (Imro), but the government will not make any pledges of further help.

Mr Lilley will argue that there is a moral obligation on banks holding the pension funds' assets – about £200m is understood to have been identified so far – to repay the sums, in spite of bankers' claims that payments were received in good faith.

He hopes that some, if not all, of the funds provided by the Social Security Department, in agreement with the Treasury, will be recouped.

It remains unclear how many pensioners will benefit immediately from the cash. Initially it will be targeted at those whose pensions have been stopped, such as the 240 covered by the Headington Pension Plan, or reduced, such as at the 5,000 under the MCC works scheme.

There was no indication that the government was prepared to help towards the legal costs of Maxwell pensioners. Labour is to press for the implementation of legislation which would make pensioners creditors of pension funds, increasing their rights for compensation.

THE LEX COLUMN

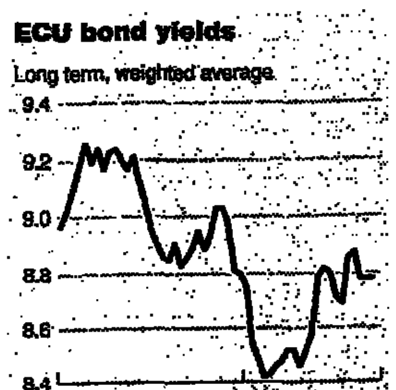
Europe's broken bond

The flag of dissent hoisted over Maastricht last week was a particularly grim sight for participants in the Ecu bond market. Denmark's vote against the treaty sent investors scurrying to sell, and left would-be issuers of the fledgling Euro-currency looking distinctly glum. Their fear is that if the Emu bandwagon really comes off the rails, the Ecu will prove a basket case in more senses than one. It will revert to its original status as a basket of currencies, useful merely as a convenient short cut to investing separately in each of the component parts.

Until the first half of 1991, Ecu bonds generally traded around their theoretical, or synthetic yields. But when it became clear that the Ecu could be transformed one day into a proper parallel currency, spreads between the actual and theoretical yield began to reflect more than the mere *saving on transaction costs. The* signing of the Maastricht Treaty by heads of government last December prompted a rash of new Ecu bond issues and saw spreads on some maturities reaching 60 to 80 basis points over the theoretical yield.

In retrospect it is hard to account for the euphoria. But a premium at the time seemed justified on the grounds that Ecu depreciation was a lesser risk than individual currency depreciation in the run-up to monetary union. That was based on a political calculation which, following the Danish vote, can no longer be taken for granted. Hence Friday's further fall-out in the Ecu bond market, when spreads fell below 10 basis points.

On the basis that the Ecu is still destined to be Europe's currency but that the date has been pushed into the next century, the longer-dated issues may still be worth holding. Until the dust settles, fair value for shorter maturities must surely be close to the theoretical yield.



UK economy

As the UK market gropes in vain for signs of an upturn in consumer spending, a disquieting thought occurs. The UK government is squaring up to a particularly grim public spending round. One consequence is bound to be further job losses in the public sector. A decade ago, the old concept of a job for life was abolished for steelworkers and miners. It then started to die for bank clerks and telephone operators. It is now dying for civil servants, teachers and hospital workers. In the long run, this may prove beneficial in breaking down traditional rigidities in the UK labour market. But its transitional effect on consumer confidence looks decidedly awkward. *At a time when the popula*tion has grasped that house price *inflation is a thing of the past,* who is there left with a safe enough job to risk a big mortgage?

EFA

At a time when Germany is agonising over whether to abandon the European Fighter Aircraft, investors are bound to reflect on the position of the companies supposed to be building it. In the unlikely event of the project's being scrapped altogether, it is necessary to distinguish between aerospace and electronics companies. For British Aerospace, the result would undoubtedly be serious. As a supplier of both airframes and weapons, it would find itself deprived of its future in combat aircraft. For GEC the outcome might prove less damaging. The governments in the project have already paid for the development of a large amount of sophisticated electronic kit. Even if they backed away from building the EFA itself, they would surely seek to deploy the gadgetry in existing aircraft. The same should be partly true for Rolls-Royce as engine supplier.

But such an extreme case seems unlikely. By all accounts, the project would be feasible if as few as 400 aircraft were built. If Germany and even Spain pulled out, the UK and Italy could with luck make up the total with the help of exports to such as Saudi Arabia and Malaysia. The dwindling of the project to an Anglo-Italian alliance would be a blow to its status. *But since production will be* allocated according to how much each country buys, the UK's apparently firm intention to order 200 aircraft would give it a larger share of a smaller project.

The argument within Germany *may* also belong within a broader political context these days. The immediate savings from pulling out would be modest, since Germany only ever meant to buy *less than 20 aircraft this* side of the millennium. With the EC in turmoil after the Danish referendum, this is hardly the time for Germany to make a highly publicised withdrawal from a European *agreement.*

Water sector

Last week's deal on capital spending *between Ofwat and North West Water* was at first sight unremarkable. North West came up with £360m of extra spending to compensate for earlier under-estimates. The regulator has allowed the company a real return of 7 per cent on the new capital, but stipulated that customers must not suffer price rises higher than those allowed for at privatisation three years ago.

On further examination, the *arrangement looks distinctly* curious. North West's capital spending forecast in the 1989 prospectus was £2.2bn, so the error was material even if one assumes the government was applying downward pressure ahead of the flotation. The extra money will be spent mainly on computers and information systems and rationalising buildings and staff, improvements which the rest of the sector is managing largely within the agreed budgets.

One of the axioms of privatisation was that companies should be exposed to the discipline of the market. If North West's management got its capital needs wrong, it is for the company and its shareholders to bear the consequences. Instead, the regulator has offered them a novel form of protection, on the apparent grounds that customers would otherwise suffer. At the least, Ofwat might have found a less drastic way of encouraging North West to improve its services.

Further, in principle the regulator should only condone significant extra spending where the law has changed – as with South West Water's deal last year – or where efficiencies can be introduced more quickly because commercial conditions have altered. It may be that Ofwat has been too concerned to establish in North West a benchmark against which to measure *all water companies' performance. It* could yet come to regret allowing it such favourable treatment.

Tokyo hits at west

Continued from Page 1

and international law.

It was found that the US "ignores commercial reality in favour of arbitrary, mechanical rules" in bringing anti-dumping cases, while anti-dumping measures were also allowed "to apply to products that have not been subject to an investigation.

"The EC follows many of the same practices as the US, and thus misuses the Gatt and the anti-dumping code in the same way. In addition, the EC has some uniquely European practices that exaggerate the proper scope of anti-dumping law," the report said.

The US and EC were also condemned for establishing arbitrary rules in assessing the origin of products, a sensitive matter for Japanese companies

Unfair trade policies - Japan's claims

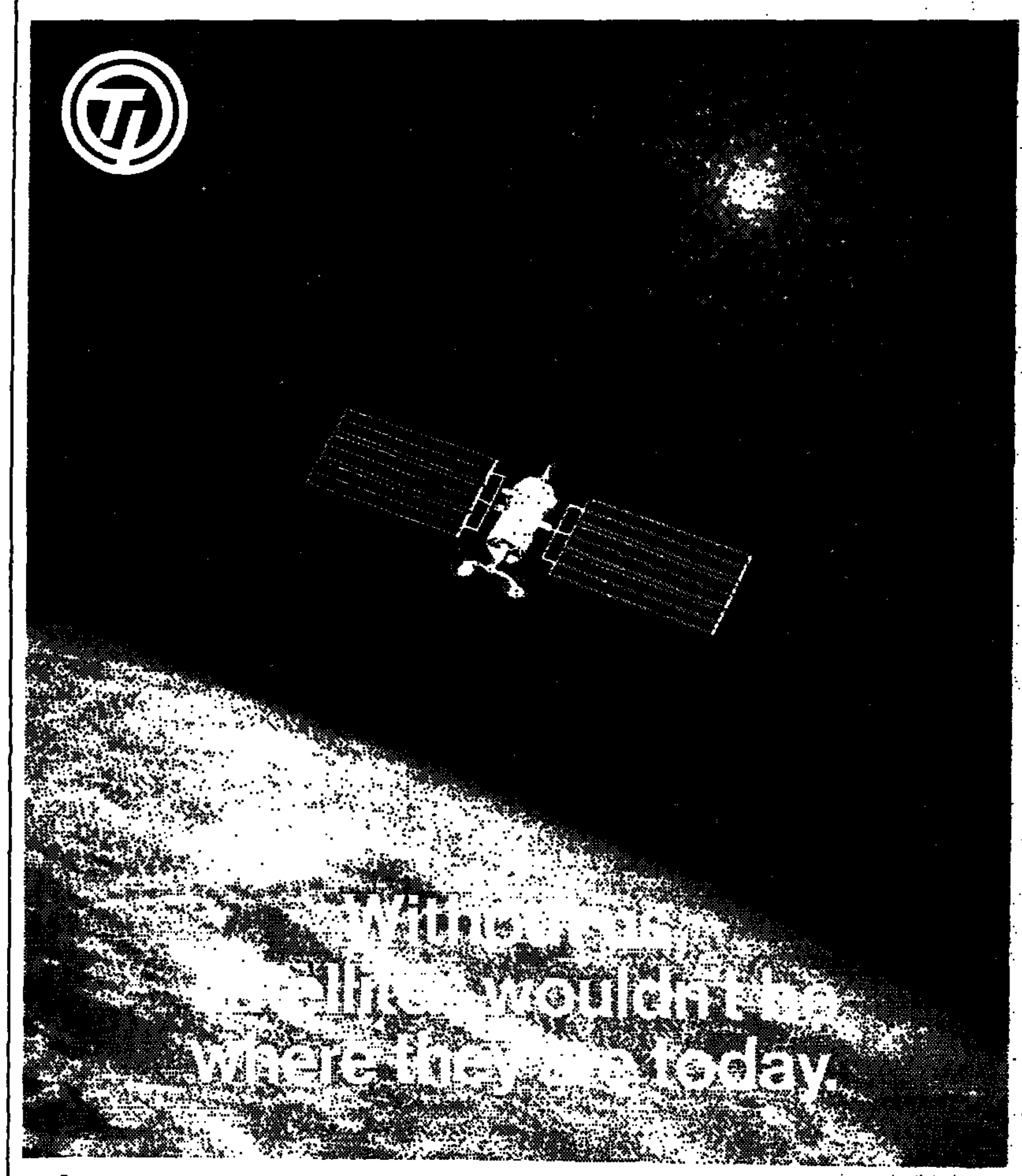
	US	EC	Korea	Australia	Indonesia	Hong Kong	Canada	Singapore	Thailand	Malaysia
Violation of provisions										
Quantitative restrictions	X	X	X		X				X	X
Discriminations against foreign products in government procurement	X	X		X		X				
Unilateral actions										
Unilateral measures	X									
Excessive extraterritorial application of competition law	X									
Abuses of provisions										
Arbitrary antidumping measures	X	X	X							
Arbitrary establishment of rules of origin	X	X	X							
Arbitrary changes in tariff classification	X	X								
New areas										
Deficiencies in protection of intellectual property	X		X		X	X	X	X	X	X
Discrimination against foreign firms through investment measures			X	X	X				X	X
Restriction on trade in services	X	X	X	X	X		X		X	X

Source: Report on Unfair Trade Policies by Major Trading Partners

World Weather

		°C	°F
Ajaccio	C	–	–
Algiers	F	24	75
Amsterdam	R	16	61
Athens	S	27	81
Bahrain	S	39	102
Bangkok	C	36	97
Barcelona	F	17	63
Beijing	F	24	75
Beirut		–	–
Belfast	S	17	63
Belgrade	F	24	75
Berlin	F	22	72
Biarritz	R	15	59
Bombay	F	32	90
Bordeaux	F	20	68
Boulogne	F	18	66
Brussels	F	19	66
Budapest	R	20	68
Buenos Aires	C	15	59
Cairo	S	34	93
Cape Town		–	–
Caracas	F	31	88
Casablanca		–	–
Chicago †	S	17	63
Cologne	F	19	66
Copenhagen	S	23	73
Corfu	S	27	81
Dallas †	S	21	70
Dublin	S	17	63
Dubrovnik		–	–
Edinburgh	C	11	52
Faro	S	20	68
Florence	F	17	63
Frankfurt	F	19	66
Geneva	F	17	63
Gibraltar	S	22	72
Glasgow	C	12	54
Helsinki	S	26	79
Hong Kong	R	25	77
Innsbruck	F	20	68
Inverness	C	12	54
Islamabad	F	39	102
Istanbul	S	21	70
Jakarta	R	32	90
Johannesburg	S	17	63
Lisbon	C	19	66
London	C	14	57
Los Angeles †	F	16	61
Luxembourg	F	16	61
Madeira	F	20	68
Madrid	F	18	64
Majorca	F	22	72
Malaga	S	24	75
Malta	S	25	77
Manila	C	36	97
Melbourne	C	12	54
Mexico City	C	22	72
Miami †	F	24	75
Milan	F	19	66
Montreal †	F	17	63
Moscow	C	23	73
Munich	F	19	66
Nairobi	F	22	72
Naples	F	24	75
Nassau	C	32	90
New Delhi		–	–
New York †	C	18	64
Nice	S	21	70
Nicosia	S	26	79
Oporto	S	17	63
Oslo	S	25	77
Paris	R	19	66
Prague	F	17	63
Reykjavik	Dr	7	45
Rhodes	S	26	79
Rio de Janeiro	C	36	97
Rome	F	19	66
Salzburg	S	21	70
S'Francisco †	C	13	55
Seoul	C	16	61
Singapore	F	31	88
Stockholm	S	27	81
Strasbourg	F	20	68
Sydney	S	16	61
Taipei	R	25	77
Tangier	S	19	66
Tel Aviv	F	27	81
Tenerife	F	22	72
Tokyo	F	24	75
Toronto †	F	16	61
Tunis	S	25	77
Valencia	F	26	79
Venice	F	20	68
Vienna	F	20	68
Warsaw	F	22	72
Washington †	F	22	72
Zurich	S	19	66

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder



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COMPANIES & MARKETS

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Monday June 8 1992

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INSIDE

GPA boosts size of global share offer

GPA, the world's largest lessor of modern commercial aircraft, has increased its global share offer from 80m to 85m shares. There has been no change to the $10 to $12.50 indicated range for the issue price. At the $12.50 price the offer would raise more than $1bn and value the group at $3.6bn. Page 16

Banc One to buy Key Centurion

Banc One, the fast-growing Ohio-based commercial banking group, is to acquire Key Centurion of West Virginia in a stock deal worth $536m. The purchase of the 54-branch bank, Banc One's sixth acquisition of the year, will bring its total assets to $75bn, more than double their level at the start of last year. Page 17

Gilt dealers shrug off Maastricht

The shock waves sent through Europe by last week's referendum in Denmark on the Maastricht treaty may have only limited impact on the outlook for gilts. By the weekend, many gilt practitioners were considering the outlook for the securities with reference to factors other than the treaty's terms for Emu. Page 18

O&Y creditors split into groups

An Ontario court has split Olympia & York's creditors into six committees to negotiate a debt-restructuring plan for the crippled property developer. O&Y had proposed five committees, but Mr Justice Blair ruled that holders of securities fully backed by specific buildings should be segregated from a group of five banks with lesser claims to the properties. Page 17

Rugby buys Ward for £15m

Ward Group of the UK, which makes technically advanced components for the building industry but ran out of cash to survive the recession, has been bought by Rugby Group for £15.3m ($27.8m). Almost 1,000 jobs will be saved in Britain, France and Germany. Page 16

US boost for Wellcome drug

US revenues generated by Zovirax, the world's best-selling anti-viral drug marketed by Wellcome, the UK pharmaceuticals group, could be far higher than analysts' predictions, according to a leading American virologist. Page 16

Purves confident on Midland bid

Mr William Purves, Hongkong and Shanghai Bank's chairman, said yesterday he expected Midland Bank shareholders to follow their board's advice and accept his bank's offer for the British clearer now that Lloyd's Bank had withdrawn from the contest. Page 16

Market Statistics

Companies in this issue

SEBanken makes first loss ever

By Robert Taylor in Stockholm

SKANDINAVISKA Enskilda Banken (SEBanken), Sweden's largest private commercial bank, has reported an operating loss of around SKr600m ($103.7m) after bad debt provisions for the first four months of the year, its first deficit ever.

The bank said it had decided to make a preliminary statement about its interim results ahead of their full disclosure tomorrow to counter speculation about the state of its finances.

The loss follows a jump to SKr2.5bn from an estimated SKr1.6bn in bad debt provisions. Actual write-offs in the first four months totalled SKr563m.

The bank reported an operating profit of SKr752m for the first four months of 1991.

There remains little prospect of any early revival, but the bank said its capital ratio was still above 10 per cent, which put it well within international requirements. SEBanken's total risk capital amounted to SKr31.4bn on April 30.

The bank estimates that its total provisions could amount to SKr7.5bn for the whole of 1992 after reaching a figure of SKr4.76bn last year.

The crisis in Sweden's property market and construction industry have hit SEB and other Swedish banks badly.

Last week Coronado, the third largest listed property company on the Stockholm bourse, suspended payments on its outstanding debt of between SKr3bn and SKr4bn.

Its main bankers are SEBanken and Nordbanken, the Swedish state-owned loss-making bank that is about to be bought up completely by the government.

Nordbanken last week reported a SKr1.97bn loss for the first four months of the year.

Mr Bjorn Svedberg, SEBanken's recently appointed chief executive who was formerly in charge of Ericsson, the big Swedish telecommunications group, also faces difficulties in reviving morale at the bank.

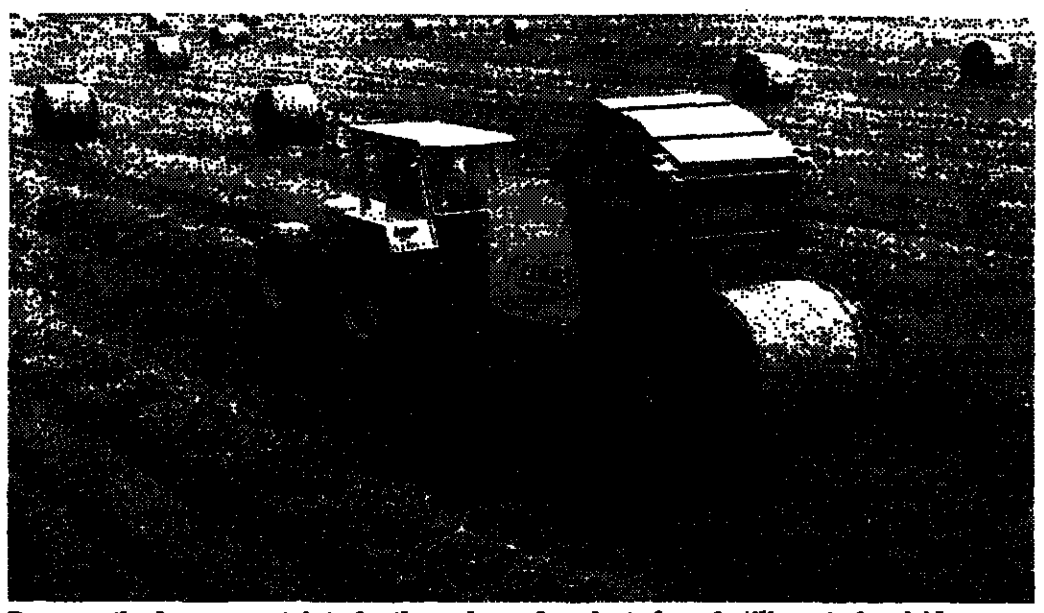
He is the third person to hold the top post there in less than three years.

Even if the provisions are excluded from the figures, the bank's operating profit fell 19 per cent in the first four months to SKr1.9bn from SKr2.3bn for the same period of 1991.

For the whole of last year the group operating profit after provisions fell 30 per cent to SKr2.326bn after provisions.

Europe's agrochemical groups face restructuring, writes **Paul Abrahams**

Farm reforms may bring a bitter harvest



Down on the farm: uncertainty for the makers of products from fertilisers to fungicides

With annual turnover of more than $8bn, European agrochemicals are big business. But, since last month's agreement on farm policy reform, the world's largest market for products from fertilisers to fungicides, is also in big trouble.

Market growth was minimal even before the agreement. Return on investment is poor, and the financial risks of research and development high.

Now the reforms, which involve setting aside 15 per cent of agricultural land from production and a 29 per cent reduction in cereal prices, threaten to unleash a fundamental restructuring of the sector.

Ciba-Geigy, the Swiss group and the world's largest agrochemical manufacturer, estimates sales will fall between 5 per cent and 10 per cent within five years. France's largest chemical group, Rhône-Poulenc, expects a drop of 5 per cent, while Imperial Chemical Industries of the UK sees a 15 per cent fall within three years.

The difficulty facing forecasters is that details of the reforms have not been decided. "A lot depends on how the 15 per cent of land is set aside," says Mr Allan Woodburn, director of Allan Woodburn Associates, an agrochemicals market-research company.

"If the set-aside land is rotated, farmers will need to use herbicides on it. If it's set aside for good, the consequences for the industry are more serious," he says.

The position is complicated by expectations that the reforms will lead to a sharp fall in the number of farmers throughout Europe. This, paradoxically, could mitigate the effects on the agrochemicals market.

Mr Walter Ernst, head of Bayer's agrochemicals division, says only 80,000 of Germany's 400,000 farmers will be in business by the year 2002. Rhône-Poulenc says the number of French farmers will halve within a decade.

Mr Alain Godard, director general of agrochemicals at Rhône-Poulenc, says efficient farmers could be tempted to increase yields by using more product on the 85 per cent of the land they are still able to farm.

However, ICI challenges this view. It fears more farmers, hit by falling prices, will be tempted to use non-patented and cheap generic products.

Dr Alan Norris, a director specialising in chemicals mergers and acquisitions at Chase Investment Bank in London, says groups like Schering of Germany and Atochem of France – whose proportion of sales in Europe are, respectively, 63 per cent and 62 per cent – have most to lose from the changes. ICI, in comparison, has a broader base. Its European sales represent only 31 per cent of turnover.

As volumes decline, a further threat to revenues is that prices might fall. Ciba-Geigy, for example, is intent on winning market share in the UK and recognises prices could fall. So far, pricing has been kept disciplined but whether that can continue is open to question.

The agrochemicals groups nevertheless have to maintain large cost bases to stay in business.

Research and development, the life-blood of the industry, is expensive and becoming more so. Farmers demand environment-friendly chemicals to treat their crops. Insects and fungi build up resistance to existing products. For the chemicals groups, R&D produces new, patentable products, for which they can charge a premium.

World's leading agrochemical companies

Rank	Name	Market share (%)
1	Ciba-Geigy	12.8
2	ICI	9.2
3	Rhône-Poulenc	8.8
3	Bayer	8.8
5	Du Pont	7.4
6	Dow	6.6
7	Monsanto	6.3
8	Hoechst	6.0
9	BASF	5.5
10	Schering	4.2

Sources: Wood Mac and Rhône-Poulenc

Bayer estimates its agrochemicals division, with annual turnover of DM3.2bn ($1.98bn), spends DM400m a year on R&D, or 12.5 per cent of turnover. Rhône-Poulenc and ICI both spend the equivalent of 8 per cent of turnover.

ICI says it costs between $80m and $100m and between 10 and 12 years to put new chemicals through the necessary regulatory hurdles. Additional costs have been added by re-registration of old products to ensure they meet new higher regulations.

ICI estimates it has spent $100m during the past four years to bring 14 of its 30 products up to new US standards. The EC is introducing similar regulations. The company believes some groups with less commitment will conclude that such expenditure is not justifiable.

A shakeout is inevitable. With 30 significant competitors, there will only be 10 research-based groups left by the end of the decade, warns Mr Ernst at Bayer.

Most restructuring will involve joint ventures, at least for the largest groups, believes Dr Norris at Chase. The multiples required to buy a research-based agrochemicals company are too high for an outright purchase. He argues the savings through merging would generate significantly higher margins.

Some companies would like to exit, at the right price. The commitment to agrochemicals of groups like Germany's BASF, Shell, the Anglo-Dutch group, and FMC, and Rohm and Haas, of the US, is debatable.

Restructuring has already begun. Schering tried but failed to put together a venture with Sandoz. Two Japanese groups, Sumitomo Chemical and Ishihara, have been buying small research and distribution groups. A few groups are looking at the possibility of building up niches, either geographical or in particular product areas, says Dr Norris.

Mr Godard is optimistic. He says demographic changes mean increased demand for food and that oil-bearing crops could be used as alternatives to fossil-fuels. However, Dr Norris at Chase says the countries with most need for increased food production are those with least money to pay for high-margin agrochemicals.

Even if the industry does have the potential to make sustainable profits, it will first have to be significantly weeded.

Heron to suspend interest payments

By Andrew Jack in London

HERON INTERNATIONAL, Mr Gerald Ronson's troubled UK property and finance company which is seeking to reschedule nearly £1.2bn of debts, is to suspend interest payments on a portion of £700m ($1.27bn) in bank loans from the beginning of July.

The company said yesterday: "We are paying interest now but we have concluded that it would be inappropriate to pay interest after the end of the month in those parts of the group in which cashflow is insufficient."

The action has been taken in consultation with the banks involved in lending to the most illiquid parts of the group. However, Heron declined to say which divisions or which banks would be affected.

Heron did not disclose how much of its £700m bank debt would be covered by the suspension of interest payments. It will not affect £450m in bond market debt, also being rescheduled.

Heron was forced to attempt to reschedule up to £1.15bn of its £1.45bn debt after its estimated net assets collapsed to £115m at the end of March and put it in breach of covenants.

Unaudited accounts for the year to March 31 this year show a pre-tax loss of £124m before exceptional items – of which Heron said about £118m was in interest payments – compared with a re-stated £59m loss the previous year.

More than 80 banks are still digesting a report commissioned by KPMG Peat Marwick, the accountancy firm, circulated on Friday, which included a £1bn valuation of the group's worldwide property portfolio. That contrasted with a valuation in March of £1.3bn in a report from Price Waterhouse using other surveying firms.

Heron said the Peat Marwick report confirmed its own recommendation for a controlled disposal of its investment properties over a number of years.

Heron warned bondholders in April that a "fire sale" of assets would result in a shortfall of at least £550m.

It said yesterday it hoped its re-scheduling would be completed by autumn, ahead of the next payments to the holders of its £450m in Eurobonds.

The five banks on the steering committee dealing with Heron are Barclays, National Westminster, Bank of America, Royal Bank of Canada and Chemical Bank.

Buenos Aires puts out the inflation fires

Economics Notebook

By Stephen Fidler, Latin America Editor

Even by Latin American standards, Argentina's inflation record over the past 30 years is something special. While world prices rose on average 14 times between 1960 and 1990; in Latin America they went up 1.7bn times and in Brazil 1.9bn times. In Argentina, prices increased by a multiple of 359bn.

So for most Argentines, the past year has offered something different. Recently, retail prices have been rising between 1 and 2 per cent a month; wholesale price inflation has been running at an annual rate of 5 per cent or less.

This sharp drop is due to two factors: the creation of a surplus in the budget and the tying by law, since April 1, 1991, of the Argentine currency to the US dollar. This convertibility law more or less prevents the central bank from issuing local currency unless backed by inflows of foreign exchange.

Thus the central bank has been converted, nearly, into a currency board such as that in Hong Kong, though an important difference is that the bank can also issue currency against its volatile holdings of Bonex, a shrinking pool of government-issue dollar-denominated bonds.

The Argentine government has, in effect, turned its economy into an economic region of the US. Since Argentina has an annual per capita income of $18,000 less than the US and is distanced from it by several thousand miles, history and language, it would be not be surprising that such an arrangement can cause strains.

On the face of it, Argentina's economy should be under strain. Retail prices have risen more than 30 per cent since the currency was fixed, against about 4 per cent in the US.

But if this suggests a dramatic loss of competitiveness for Argentine industry, the reality is less dramatic. Most inflation has taken place in the oligopolistic retail and services sector not subject to foreign competition. This has turned Buenos Aires into one of the world's most expensive cities but has yet to cause huge damage to industry. The government has also cut tariff barriers, which, combined with fixing of the nominal exchange rate, has put downward pressure on input prices.

The risk to competitiveness is that relatively high retail inflation – compounded by forthcoming rises in value added tax rates and a broadening of the tax's scope – could translate into demand for higher wages. This is bound to bring increased pressure for devaluation.

Further pressure for devaluation from Argentina's hitherto protected industry may grow as imports continue to climb. In 1990, Argentina's imports totalled $4.1bn; in 1991 they nearly doubled to $8.1bn; this year, they could reach $11bn.

However, the architect of the convertibility law, the economy minister, Mr Domingo Cavallo, does not have much faith in devaluation. He believes competitive benefits deriving from it are transitory in an inflation-prone economy such as Argentina's where it takes only one or two months for such advantages to be lost in price rises.

He might not be worried either by rising imports and the shrinking trade surplus. Some imports are of capital goods, raising an abysmally low investment rate which fell below 8 per cent of GDP in 1990; the rest are for now adequately financed by inflows of capital helping to swell reserves.

Although the reserve inflow is swelling the monetary base, this is not necessarily inflationary. Some economists argue that when inflationary expectations drop sharply, people are willing to hold cash for longer and the velocity of circulation falls.

In Brazil, it is easy to find sceptics about the Argentine economic miracle. None the less, the gradualist policies of economy minister Mr Marcilio Marques Moreira seem to be making slow headway against inflation, running at about 20 per cent a month. Perhaps he might try a drop of Argentine medicine?

Asked about this possibility last month, Mr Moreira said it would be "unthinkable" to subject the Brazilian economy to the "straitjacket" of a fixed currency.

Indeed, such a move might risk putting the cart before the horse. The Argentine government has been generating a primary surplus, even before privatisation receipts, sufficient to allow it to finance interest payments on debts in a non-inflationary manner. Better control of public finances was evident in Argentina even before April 1 last year, but is far from proven in Brazil, where the political process lacks credibility.

Mr Paul Luke, an economist with Morgan Grenfell asset trading unit, says the reserves of the central bank in Brazil (the monetary base of a currency board) – currently between $14bn and $18bn, depending on definition – may be too small a proportion of an economy with annual gross domestic product of more than $520bn. Argentina's reserves of more than $7bn compare with an $80bn GDP.

Although Brazilian tariffs have been cut, they are three times the level on average of this in Argentina. This may make transition to a new regime more difficult in Brazil, since downward pressure on input costs in Argentina would not be in place for Brazilian industry.

Of course, the eventual success of the policy is not proven in Argentina. Mr Lawrence Brainard of Goldman Sachs in New York says, in the long-term, the currency board system depends on interest rates influencing the real economy. It not clear whether a 1 percentage point increase in interest rates would have any noticeable impact in Argentina. "The linkages in the economy are a lot looser than in a place like Hong Kong," he says.

Perhaps it is no coincidence that Mr Cavallo is an economic historian. For Argentina has tried the currency board idea before. Late in the 19th century, Argentina tied its currency to the pound sterling and became part of the sterling area. In retrospect, these have proved to be Argentina's golden years.

Post-election enthusiasm wanes for UK shares

By Terry Byland in London

THE RAPID fading of post-election enthusiasm in the UK stock market has been confirmed in a survey of UK fund managers by the Gallup polling organisation on behalf of Smith New Court, the London-based integrated and international securities house.

A balance of 15 per cent of senior fund managers in the survey this month expected to increase their holdings of UK equities, compared with 18 per cent last month, and 49 per cent at the beginning of April when the London market was awaiting the general election.

The survey reinforces the trend towards increased investment in Japanese and European equities at the expense of US stocks.

The balance of those taking a bullish view of the FT-SE Index over the coming three months has fallen from 32 per cent in May to only 12 per cent. A Footsie of 2,990 is predicted for June 1993, compared with Friday's close of 2,668.5. The Dow Jones Industrial Average is seen at 3,458 in 12 months, against Friday's 3,398.69.

Those planning to sell US equities have jumped from 25 per cent in May to 37 per cent in June. Prospective buyers of European equities increased their net dominance from 16 per cent to 22 per cent, while prospective buyers of Japanese shares remain in a majority, albeit down from 37 per cent to 29 per cent.

Senior representatives of 100 fund management groups handling funds totalling £488bn took part in the survey.

This announcement appears as a matter of record only.

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May 1992

COMPANIES AND FINANCE

GPA lifts offer to 85m shares

By Maggie Urry

GPA, the world's largest lessor of modern commercial aircraft, has increased the size of its global share offer from 80m to 85m shares. There has been no change to the $10 to $12.50 (£5.45 to £6.80) indicated range for the issue price. At the $12.50 price the offer would raise over $1bn and value the group at $3.6bn.

The issue could be increased again by up to 12.75m shares under the so-called "green shoe" arrangements, should demand warrant it.

The group, based in the Irish Republic and headed by Mr Tony Ryan, is going public through a four-part offer with tranches in the UK and Ireland, the US, Japan and the rest of the world. The prospectus for the UK and Ireland issue will be published today.

Advisers to the group said that responses to the international presentations to potential investors had been sufficiently encouraging to increase the size of the offer. There had also been a higher level of interest shown by UK and Irish private investors than expected and as a result the prospectus will be advertised in the press.

Tony Ryan: up to 12.75m further shares could be issued

Of the extra 5m shares, 3.5m will be additional new shares, taking the number the company is selling to 59.5m. If the price is set at the top of the range GPA would receive $696m, net of expenses, from the sale. Existing shareholders are selling 25.5m shares after the increase.

The proceeds will go towards financing aircraft purchases. GPA has commitments to buy $11.9bn of aircraft by 2000, of which $7.1bn is due by the end of 1994. It has options to buy another $9.1bn by 2000.

The group's banking covenants allow it a maximum debt to equity ratio of 5:1. The ratio is 3:1 before the offer. As well as committed loan facilities, GPA sells aircraft to help finance purchases. In the last two financial years these sales have raised $1.2bn a year.

GPA also taps the international bond markets for funds. It is finalising a $522m deal securitising aircraft leases.

The offer period for the UK and Ireland part of the offer is being extended by one day to June 16. Applicants in this offer can specify a maximum price they are willing to pay or can agree to buy at whatever price is set. UK applicants must apply for a minimum of 200 shares, costing at least £1,090 at the lowest price.

The price will be set on or about June 17, when the decision whether to increase again will be taken. The price will be announced on June 18 at 12.30pm, with conditional dealings expected at 2.30pm.

That price will form the basis of public offers in the US and Japan and private placements in continental Europe, Canada and elsewhere. These offers will close on June 25.

Hongkong expects holders to accept bid

By Simon Holberton in Hong Kong

MR WILLIAM Purves, Hongkong and Shanghai Bank's chairman, said yesterday that he expected Midland Bank shareholders to follow their board's strong advice and accept his bank's offer for the British clearer now that Lloyds Bank had withdrawn from the contest.

Hongkong Bank convenes an extraordinary general meeting of its shareholders tomorrow to approve its £3.9bn offer for Midland. At that meeting shareholders would also be asked to withdraw the restriction limiting any one shareholder from owning more than 1 per cent of the bank.

Mr Purves said that the bid "seems to be moving in the right direction". On Friday, just hours after the department of trade and industry allowed Lloyds to buy up to 10 per cent of Midland, it had decided to withdraw from the fray.

"I don't anticipate anyone appearing on the horizon in the next 18 days," Mr Purves said in an interview. "But until the offer is closed and declared unconditional one can not be certain."

THE BATTLE FOR MIDLAND

He said he did not expect that any of Midland's large shareholders would hold out and not accept the bid.

"If we do not have 50 per cent on the 25th [of June] then the offer is dead," he said. "In that event I would think the Midland share price would fall back by 100p to 150p. So I think it's unlikely that people would want to risk that."

He said that once the offer went unconditional it would be left open for a period to allow for a mopping up exercise. He said the bank wanted to settle the transaction in July.

"Once it is unconditional we can sit down with Midland. There is a lot of work to be done if we are to get the synergies we promise." The bank predicts synergies will result in extra profits of £800m over the first four years of the merger.

Looking back on the contest for Midland, Mr Purves admitted that there had been the "odd distraction" but that it had gone according to plan.

"We planned to go down this route and we did," he said. "The only thing we got slightly wrong was not realising that institutional shareholders of Midland would not be interested in holding our loan stock. They did not believe it would trade at par.

"Because of this we revised the offer so there was a cash alternative. We also revised it because of the planned sale of Thomas Cook. That will add about £100m to Midland's profit this year."

It was Mr Purves and Sir Kit McMahon, former Midland chairman, who conceived of the marriage between the two banks in the wings of the 1987 International Monetary Fund conference in Washington. But yesterday Mr Purves declined to take personal credit for the success.

"This is not a personal thing, it's a corporate thing. The board has been very supportive and a large team has worked on it."

Wellcome's US boost from Zovirax

By Paul Abrahams in Berlin

US REVENUES generated by Zovirax, the world's best-selling anti-viral drug marketed by Wellcome, the UK pharmaceutical group, could be far higher than analysts' predictions, according to a leading American virologist.

Dr Richard Whitely, Professor of Paediatrics and Clinical Virology at the University of Alabama, believes Zovirax will be used by as many as 1m chicken pox patients over the next 12 months and by as many as 3m a year as early as 1996.

Previous estimates of Zovirax sales for this illness have been far lower. In a recent note, SG Warburg, the company's brokers, estimated only 20 per cent of US patients would use the drug by 1994, generating additional revenues of only £15m.

Zovirax, which is used mainly to treat herpes and related infections, was only licensed in the US for chicken pox early this year.

Between 3.4m and 4m US residents catch the disease annually.

Speaking at a virology conference in Berlin, Dr Whitely said he believed general practitioners would come under intense pressure form Paris to prescribe Zovirax for children infected with chicken pox.

Public awareness of the drug's benefits were well known, he said. If administered within 24 hours of the first signs of chicken pox, the drug can reduce the number of lesions and the severity of the disease.

Dr Whitely added that doctors may well prescribe Zovirax, which cost between $30 and $55 for a five day treatment, for fear of potential litigation.

Chicken pox can lead to serious complications in a small minority of cases and the drug may be able to prevent the disease or lessen its severity.

He warned that the drug's high cost and the problems of quick diagnosis would prevent all patients receiving Zovirax.

Rugby pays £15.3m for Ward after unusual administration

By Ian Hamilton Fazey, Northern Correspondent

WARD GROUP, which makes technically advanced components for the building industry but ran out of cash to survive the recession, has been bought by Rugby Group for £15.3m. Nearly 1,000 jobs will be saved in Britain, France and Germany.

Ward, based in Sherburn, North Yorkshire, went into administration last month, but the sale to Rugby was only made possible because two Coopers & Lybrand partners sent in to run it borrowed £2m to sell it as a going concern. Accountants say such a move on the part of the receiver is unusual, but not without precedent.

Rugby, also in the construction components business, has got Ward cheaply, since the book value of net assets purchased is £27.1m. Ward has been trading on a cash with order basis while a buyer was found.

The purchase will strengthen Rugby's position in the metal products market and give it Ward's Atlas building system, which supplies complete metal buildings packages through a network of approved contractors.

Ward also makes structural steel frames, pre-engineered components and steel cladding systems, as well as owning Abbseal, a glass processor and insulated glazing manufacturer with modern plant in Leeds and Peterborough.

Ward made £12.6m on sales of £175m in 1989, when interest charges were £266,000. In 1990, turnover dropped to just under £173m but profits tumbled to £8.7m as interest charges rose nearly eightfold to more than £2m. Last year's sales crashed to only £99m and Ward just managed to break even before interest.

However, the soundness of Ward's advanced products in construction markets convinced Mr Michael Moore and Mr David Waterhouse of Coopers' Leeds office that they should risk borrowing £2m to keep it going. The money will be repaid by the deal and Coopers, which would have shared any losses, will get a fee.

Ward's creditors agreed to freeze their positions. Mr Moore said all would now be paid. "Although it was risk, it was an innovative approach which worked well," Mr Moore added.

The sale includes marketing companies for Ward building systems in Germany and France, as well as Multicom in Colmar, France, a steelwork manufacturer employing 151 people.

Norweb expands retailing with £5m buy

By John Thornhill

NORWEB, the Manchester-based electricity company, is significantly expanding its retailing activities through the acquisition of 20 Atlantis electrical superstores from Thorn EMI for £5m in cash.

The acquisition of the Atlantis stores will double Norweb's retail floor space to 230,000 sq ft and give it access to retail parks in the north of England and the Midlands.

Earlier this year, Thorn EMI decided to withdraw from its loss-making electrical retailing activities, which had lost £50m over the previous three years. Thorn said it would convert most of its 450-store Rumbelows chain to rental outlets and would consider selling its 45-store Atlantis chain.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Hongkong and Shanghai Banking Corp (HK)	Midland Bank	Banking	£3.9bn	Improved bid in KO?
Blue Circle (UK)	Celsius (France)	Heating Products	£206.1m	European consolidation continues
KTU (Germany)	Thomas Cook (UK)	Travel agency	£200m	Non-core Midland sale
Corning (US)	J S Pathology (UK)	Clinical pathology	£23.2m	Agreed cash bid
Dunhill (UK)	Karl Lagerfield (France)	Fashion design	£16m	Dunhill targets luxury fashion
Avonmore Foods (Ireland)	Harzland Fleisch (Germany)	Food production	£5.5m	European platform for future
Kinergetics (HK/US/UK)	Kef Audio	Hi-Fi	n/a	Buy from receiver
Rolls-Royce (UK)/ Westinghouse (US)	Strategic alliance	Power generation	n/a	Creates No 2 in field
Fanuc (Japan)	GM Fanuc Robotics (US/Japan)	Robotic systems	n/a	GM sells its half

Source: FT Mergers + Acquisitions International

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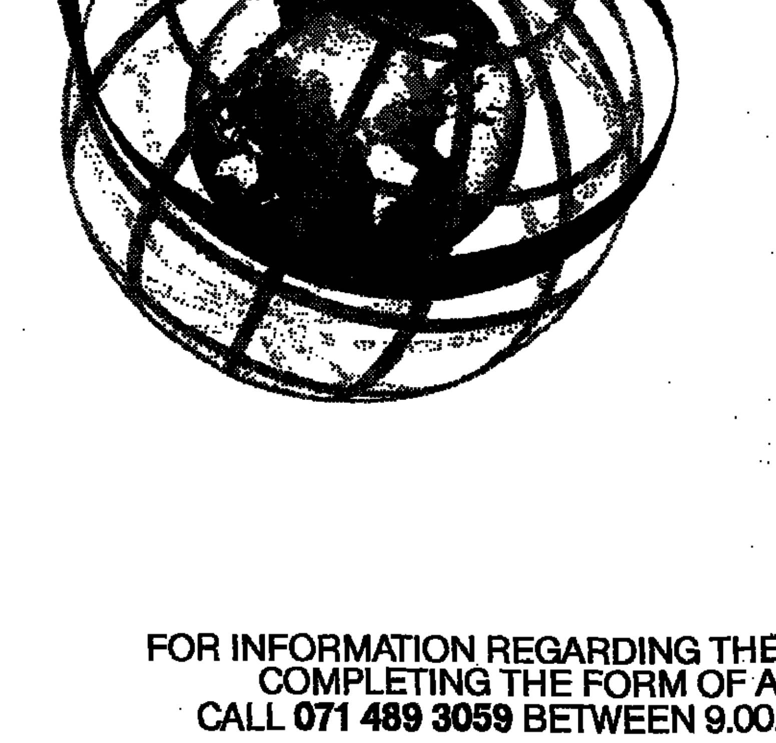

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Notice to the Holders of

ENTE NAZIONALE PER L'ENERGIA ELETTRICA (ENEL)

Italian Lira 400 Billion Floating Rate Notes Due 1999

Coupon No 6 for the period May 29, 1992 to November 30, 1992 will be payable starting November 30, 1992 at the rate of 11,65%

ITL 299.340,- per note of ITL 5.000.000 Nominal

ITL 2.993.403,- per note of ITL 50.000.000 Nominal

June 4, 1992

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May, 1992

Fuji International Finance (Australia) Limited

Tranche A US$ 60,000,000 Floating/Fixed Rate Guaranteed Bonds 2001

Interest Rate: 4.5625 p.a.

Interest Period: from 8th June 1992 to 8th September, 1992

Interest payable per US$ 50,000 Notes: US$ 582.99

By Fuji bank (Luxembourg) S.A.

Yen 5,000,000,000

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Further to the Early Redemption Notice dated May 6, 1992, notice is hereby given in accordance with Condition 4(e) of the Receipts that the Repayment Amount has been determined by the Calculation Agent on June 3, 1992, which was the date designated as the Calculation Date by the Receipt Holders.

The amount due to Receipt Holders in respect of Yen 100,000,000 deposit is Yen 67,300,000 for payment on June 22, 1992.

Daiwa Europe Limited

June 8, 1992

This notice is important and requires the immediate attention of holders of Bonds. If holders are in any doubt as to the action they should take, they should consult an independent financial adviser authorised under the Financial Services Act 1986 without delay.

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convertible into ordinary shares in the Issuer ("Ordinary Shares")

Notice of Adjustment to Conversion Price

Notice is hereby given to holders of the Bonds that, following the rights issue by the Issuer of Ordinary Shares on the basis of one new Ordinary Share for each 5 Ordinary Shares and one new Ordinary Share for each 9.625 7¾% Convertible Cumulative Redeemable Preference Shares of the Issuer announced on June 4, 1992, the Conversion Price of 215 pence per Ordinary Share has, in accordance with the Trust Deed dated May 20, 1987 constituting the Bonds, been adjusted to 207 pence per Ordinary Share with effect from June 5, 1992.

By: The Chase Manhattan Bank, N.A. Principal Paying and Conversion Agent — CHASE

June 5, 1992

US$125,000,000

First Chicago Corporation

Floating Rate Subordinated Capital Notes Due December 1996

Notice is hereby given that the Rate of Interest has been fixed at 4.25% and that the interest payable on the relevant Interest Payment Date, September 8, 1992 against Coupon No. 23 in respect of US$100,000 nominal of the Notes will be US$1,086.11.

June 8, 1992, London

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

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Banc One to buy Key Centurion for $536m

By Alan Friedman in New York

BANC ONE, the fast-growing Ohio-based commercial banking group, is to acquire Key Centurion of West Virginia in a stock deal worth $536m.

The purchase of the 54-branch bank, which represents Banc One's sixth acquisition of the year, will bring the group's total assets to $75bn, more than double their level at the start of last year.

The rapid growth of the bank, which has made a dozen small to medium-sized acquisitions over the past 18 months, is as striking as its ability to avoid the large loan write-offs and other difficulties experienced by much of the US banking industry.

Under the leadership of Mr John McCoy, chairman and chief executive, Banc One has been concentrating on a conservative lending policy in the retail banking sector and has maintained a return on assets that is among the highest in US banking.

Last year Banc One bucked the national trend by turning in a 25 per cent increase in net profits, to $529.5m.

After the Centurion deal, which will add $3bn of assets, Banc One will control 58 separate banks with more than 1,300 branches in 12 states. As such the bank is taking advantage of gaps in state banking laws to become one of the most geographically diversified of US banking groups.

Mr McCoy said in an interview at the weekend that Banc One had made 109 acquisitions since 1967. He stressed the focus on retail-oriented bank acquisitions that allow Banc One to achieve a leading market share in each region in which it has expanded.

Although Mr McCoy's management is admired by many, the ambitious expansion of Banc One, which only two months ago did a $1.2bn stock deal to acquire Valley National Bank of Arizona, has drawn criticism from fellow bankers.

"I think McCoy has done a terrific job of building up Banc One, but I worry that he may be doing too much," said the chief executive of a New York bank.

"They have a lot on their plate now. It would not surprise me to see them developing a hiccough at some point," commented Mr Dan Martin, a banking analyst at Standard & Poor's, the rating agency.

Mr McCoy responds to such concerns by stressing his acquisitions have mainly been of banks with healthy balance sheets and that he has never acquired a bank more than a third the size of Banc One.

He also notes that unlike most US banks, Banc One has an unusually low proportion of property lending, which is roughly 13 per cent of the bank's total loan portfolio, or half the average of many bigger banks.

"Nobody had to call us to ask how much loan exposure we had to Olympia & York. We are focused on retail banking," he said.

The Centurion deal is unlikely to cause any problems, according to S&P. This is because the West Virginia bank is very liquid, with a $1.4bn loan portfolio and $3bn of total assets.

A recent study by Salomon Brothers concluded that despite the speedy growth in assets, the recent acquisitions are unlikely to cause a "material impairment of earnings".

Voest Stahl set back by weak steel prices

By Eric Frey in Vienna

VOEST Stahl, the Austrian steelmaker, saw operating income halved last year to Sch624m ($55.4m) from Sch1.29bn because of weak steel prices and losses from specialty steel production.

However, Mr Ludwig von Bogdandy, chairman, said he expected a slight improvement in the 1992 results following restructuring at the steel and specialty steel divisions.

The steel company is the largest subsidiary of the state-owned holding concern Austrian Industries (AI), which is faced with massive losses at its aluminium unit AMAG.

There has been talk that Mr Rudolf Streicher, who last month lost the election for Austria's presidency against Mr Thomas Klestil, might take over from Mr von Bogdandy at Voest. Mr Streicher is an experienced industrial manager.

Voest's 1991 after-tax income dropped only 19 per cent to Sch285m from Sch350, helped by extraordinary results. Group sales advanced 20 per cent to Sch55.1bn because of the takeover of the Swedish specialty steel company Uddeholm and other smaller foreign acquisitions.

Uddeholm has been merged with Voest's troubled specialty steel unit Boehler, which suffered a loss of Sch1.2bn last year. The combined unit is expected to swing to profit in 1993.

O&Y creditors divided into six committees

By Bernard Simon in Toronto

AN ONTARIO court has split Olympia & York's creditors into six committees for the purpose of negotiating a debt-restructuring plan for the crippled property developer.

O&Y had proposed five committees, but Mr Justice Blair ruled that holders of securities fully backed by specific buildings should be segregated from a group of five banks which have lesser claims to the properties.

Creditors affected by the order have claims on Olympia & York Developments, the Reichmann family's parent company, and on 28 other Canadian companies now under court protection.

Their loans make up about two-thirds of O&Y's total C$13.5bn (US$11.3bn) debt, and do not include direct loans to the Canary Wharf project in London or O&Y's two dozen US office buildings.

The committees represent the following groups:

- About 30 members of a US$2.5bn jumbo loan syndicate. By far the biggest lender in this group is Hongkong & Shanghai Banking Corp, which advanced $750m.
- Seven banks, led by Citicorp, which provided a $500m loan secured by O&Y's stake in Carena Corp, a Canadian property holding company controlled by Toronto's Bronfman brothers.
- Banks and insurance companies which hold $1.6bn in unsecured loans, swaps and guarantees.
- Holders of marketable securities, including various issues of bonds, debentures and commercial paper.
- Lenders to specific projects with a prior claim on those assets. They include holders of C$475m of bonds secured by First Canadian Place, O&Y's 72-storey flagship building in Toronto.
- Four Canadian banks plus Citibank Canada which have subordinated claims to various buildings.

Several of the creditors, notably the Canadian banks and Citicorp, are represented on more than one committee.

- Laurentian Bank of Canada, the banking arm of the Quebec-based Laurentian financial services group, earned C$9m (US$7.56m), or 47 cents a share, in the second quarter, up 12 per cent from a year earlier, writes Robert Gibbens in Montreal.

Non-performing loans were up sharply because of the severe recession in eastern Canada. Provision for bad loans doubled, partly because of a problem loan on a European property. Loan losses for all fiscal 1992 are estimated at C$32.5m.

First-half profit advanced to C$18.8m, or C$1 a share, up 16 per cent. Assets as of April 30 stood at C$8.6bn.

Fears on Fokker deal revealed

By Ronald van de Krol in Amsterdam

GROWING unease in the Netherlands about the proposed sale of a 51 per cent stake in Fokker, the Dutch aeroplane builder, to Deutsche Aerospace (Dasa) of Germany was underlined at the weekend by reports that the company's supervisory board chairman, Mr Frans Swarttouw, had threatened to resign.

In a letter leaked to the press, Mr Swarttouw warned the deal must not lead to Fokker being downgraded to a simple assembly plant and to the loss of Dutch high-technology expertise.

The letter, addressed to the company's management board and to the Ministry of Economic Affairs, which owns 32 per cent of Fokker, also said the company should be looking for alternative partners to Dasa in case no suitable agreement could be reached with the German group.

The main outlines of the confidential letter appeared on Saturday morning just hours before the eight-member supervisory board was scheduled to meet with the company's chairman, Mr Erik-Jan Nederkoorn. Mr Swarttouw described the leak as a "disaster".

After the meeting, Fokker said the letter had been "overtaken" by events and that the entire supervisory board now fully supported the management board.

Nevertheless, the misgivings of Mr Swarttouw, who ran Fokker's management board for 11 years until 1989, reveal the extent to which the company is worried about its future as part of a Dasa-led European aeroplane consortium.

The German group says that it is conducting the negotiations with Fokker on behalf of its partners in the European "Regioliner" joint venture – Aerospatiale of France and Alenia of Italy.

Controversy about the deal was heightened last week after comments in Munich by Mr Jürgen Schrempp, Dasa's chairman, who seemed to cast doubt on Fokker's claim that it would be the "leading partner" in any joint development of regional aircraft.

Dutch unions and members of parliament are concerned that Fokker might lose its ability to design and sell its own aircraft if it were taken over by Dasa, bringing to an end the Netherlands' independent role in international aviation.

Talks between Fokker and Dasa are scheduled to continue in the Netherlands tomorrow.

Dofasco omits dividend after posting C$17m loss

By Bernard Simon

DOFASCO, Canada's biggest steelmaker, has omitted its dividend for the first time in recent memory.

The loss-making company, which was one of Canada's most profitable and highly-regarded industrial groups before its ill-fated 1987 acquisition of Algoma Steel, said that it would not pay the quarterly dividend of 15 Canadian cents, due on July 1.

The dividend stood at 32 cents a share in early 1991.

Dofasco's chief domestic rival, Stelco, suspended its dividend payments a year ago.

Both companies have been hit hard by the slump in the North American motor industry and by fierce competition from imports. The steelmakers have received a modest boost since last November, however, from a decline in the Canadian dollar.

Dofasco suffered a first-quarter loss of C$17.6m (US$14.7m) on sales of C$461m.

The company earlier wrote off its entire C$700m investment in Algoma, which emerged last month from a debt-restructuring with its employees holding a sizeable equity interest.

Dofasco, which is based in Hamilton, Ontario, plans to cut its workforce by 1,000 jobs by the end of the year through an early retirement package and the closure of its foundry operations.

S Africa's Stanbic wins British bank licence

SOUTH AFRICA'S Standard Bank Investment Corp (Stanbic) said its wholly-owned subsidiary Standard Bank London had been authorised by the Bank of England to begin banking in Britain, Reuters reports from Johannesburg.

A statement said it was the first British banking licence issued to a South African bank since the imposition in 1985 of an international moratorium on South African debt repayments.

Standard Bank London would perform the financial services of Stanbic's current UK representative office and its existing London subsidiary, Standard London.

The new subsidiary would play a central role in Stanbic's international network and facilitate trade and capital flows between southern Africa and the rest of the world.

Standard London currently deals with trade and loan finance, is a market-maker in South African equities and all rand-related currency and treasury products and takes part in the market in East European, African and South American debt.

Stanbic described the launch of Standard Bank London as part of a strategy to support customers' global business.

Foreign brokers show gains in Tokyo trading

By Emiko Terazono in Tokyo

FOREIGN brokers' share of market volume on the Tokyo Stock Exchange rose above 20 per cent in April, thanks to their expertise in stock futures and options trading, and to continuing foreign interest in Japanese equities.

The increase in foreign market share reflects the decline in trading at Japanese brokerages, which depend on orders from domestic investors. It could also prompt further criticism of futures and options trading by foreign brokerages.

Japanese financial authorities have blamed the stock market volatility on futures and options trading, and have tightened rules and increased commissions to curb activity.

Of the 124 brokerages registered with the Tokyo Stock Exchange, 25 are branches of foreign houses.

According to brokers' figures, foreign brokerage houses had accounted for only 3 per cent of the market in the first half of 1988 fiscal year but this figure rose to 11 per cent in 1990.

On the other hand, the market share of the Big Four – Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities – which accounted for more than 45 per cent in the first half of 1988, has fallen below the 30 per cent level.

EFFECT OF INTERNATIONAL PRICE CUT ON HONGKONG TELECOM EARNINGS (HK$m)☆

Year to March	1992A	1993E	1994E	1995E	1996E
International Revenues	11,084	13,337	15,837	18,807	20,993
Tariff Reductions -					
assume effected April 1			8%	2%	2%
Revenue effect*			-1,109	-1,269	-1,260
Earnings effect*			-10%	-9%	-8%
Revenue effect**			-950	-658	-420
Earnings effect**			-8%	-5%	-3%
Revenue effect†			-633	-188	-210
Earnings effect†			-6%	-1.5%	-1.5%

†Optimistic: assumes that all tariff reduction is regained in extra volumes by the end of year 1
**Median: assumes that all tariff reduction is regained in extra volumes by the end of year 2
*Pessimistic: assumes that all tariff reduction is regained in extra volumes by the end of year 4
☆This is a corrected version of a table which appeared on June 5

Source: Salomon Brothers

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Data source: The Professional Investment Community Worldwide 1991 (MPG Int'l)

FT SURVEYS

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June, 1992

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Barclays Bank PLC | Canadian Imperial Bank of Commerce | Deutsche Bank AG, London Branch
The Industrial Bank of Japan, Limited | Société Générale | Union Bank of Switzerland

Lead Managers
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INTERNATIONAL CAPITAL MARKETS

UK GILTS

Dealers shrug off Maastricht factors

PRICES of gilt-edged securities slipped by up to 1 point as investors weighed up the implications that European monetary union may not happen after all.

But the shock waves sent through Europe by the referendum in Denmark may end up having only a relatively small impact on the outlook for gilts. By Friday night, many gilt practitioners were considering the outlook for the securities with reference to factors other than the terms as set out in the Maastricht treaty for Emu. These plans have now been relegated to history.

The gilt specialists were coming round to the conclusion that Maastricht had – in reality – had only a minor impact on the performance of the gilt market over the past six months.

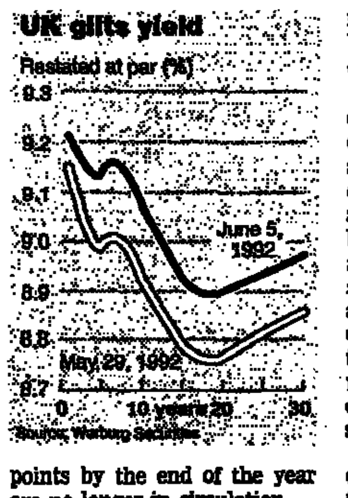
"Even before the referendum, many people thought Emu in some shape or form had only a 50 per cent chance of coming off; after all, there were so many things that could have gone wrong," said one gilts observer. "After the Danes' decision, the probability has been pushed down to, say, 20 per cent. The change has been in terms of nuance rather than a complete re-think about how the market is operating."

This interpretation was supported by the modest change in the yield difference between gilts and lower-yielding German bonds during last week.

On Monday, 10-year gilt yields were 124 basis points (1.24 percentage points) higher than the yields of equivalent German bonds. This illustrated the scepticism on the part of many investors that union was on course to take place by the end of the century.

Had their confidence about union been higher, the yield spread would have been much lower, indicating the perception that inflation and interest rates in the two countries were on course for convergence.

On Friday night, after the Danish decision led to investors switching out of UK securities but left German bonds little changed, the yield difference was slightly higher at 137 basis points. It looks over the next few weeks that the yield difference may edge up still more, as investors rethink their strategies over economic convergence. Theories held by some economists a week ago that the yield difference might come down to only 100 basis points by the end of the year are no longer in circulation.



Even so, the extent of last week's gilt sell-off has to be considered in the context of the steady increase in gilt prices since the Tories' election win on April 9. Prices are still much higher than on election day, with yields correspondingly lower. In the 10-year area, gilts are now yielding about 9.1 per cent, compared with about 9.8 per cent on the day of the poll.

All this supports the thesis that many investors reckon the trend in Britain towards lower inflation and interest rates – factors generally perceived as being helpful to gilts – should continue with or without Emu.

That appears to be the view of the Bank of England, which on Friday signalled a "business as usual" approach by announcing an auction on June 24 of an expected £2bn or so of bonds maturing between 2007 and 2012. Details of the specific stock and the amount to be auctioned are to be announced on June 16. Plans for the auction were well received in the market – the type of stock is expected to be fairly easy to sell – and prices edged up.

The auction announcement came after the Bank sold about £400m of 9 per cent conversion stock due 2000 that had been available to the market for over a week. It had been the residue of an £800m tranche of bonds announced on May 22. During the week the Bank also gave details of gilt sales in April – when demand for the securities was exceptionally strong. Net gilt sales (taking into account redemptions) during the month were about £4.4bn, of which £3.1bn were sold to UK non-bank investors and £464m overseas.

Peter Marsh

US MONEY AND CREDIT

Jobs data bring muted response

THE US Treasury bond market offered only a muted response on Friday to worse-than-expected jobs data for May.

The US unemployment rate in May rose from 7.2 per cent to 7.5 per cent, its highest level since 1984. But the jittery market, uncertain about the path of US monetary policy, did not stage the kind of rally that would normally be expected.

Instead it managed to mark the price of the benchmark 30-year Treasury bond less than ½ point higher, to yield 7.84 per cent.

The lack of enthusiasm for data that would normally stir traders to chalk bond prices higher – in the hope that more stimulation of the economy may be needed – was widely perceived as a signal that many investors have now given up hope of a further easing of interest rates by the Federal Reserve in the near future.

The latest data are likely to have far more of an impact on the political arena, where opponents of President Bush should benefit from the lacklustre economic outlook. The May figures showed that 68,000 non-farm payroll jobs were added, but this was well below the expected 125,000 increase. In manufacturing, the number of jobs declined by 10,000.

According to Ms Maria Ramirez, the bond market analyst, traders were too discouraged by recent reports that the Fed's policy was on hold "to price in a Fed easing". Ms Cheryl Katz, economist at Lehman Brothers, the New York investment bank, noted the jobs data was "definitely not weak enough for a Fed easing".

With the long end of the Treasury market trading in a narrow yield range of 7.5 per cent to 8.0 per cent, Ms Ramirez reckons that those economists who have been divining a "traditional" post-war recovery are simply wrong.

Rather, she notes that the US economy is experiencing structural problems that will take years, not months, to resolve. Among these are the oversupply of property in the US commercial real estate market, the bad debt provisions banks will have to make as a result of their property loan exposure and the continuing liquidation of the property portfolio held by the Resolution Trust Corporation, the US agency that auctions property seized from failed savings and loans.

Taken together with the May jobs data, this scenario appears to indicate a fragile US recovery and the prospect of a 1992 economic growth rate closer to 2 per cent than 3 per cent.

The question facing the Fed, as Salomon Brothers noted on Friday, is whether a slow and steady firming of the US recovery will be sufficient.

Opinions differ. Mr Philip Braverman, chief economist at DKB Securities, calls the present economic environment a "growth recession recovery" and says it will remain fragile. However, he argues that such a recovery will eventually force the Fed to ease further, perhaps with a 50-basis point cut in Federal funds and the discount rate after the next meeting of G7 leaders in July.

Looking ahead, the new data expected are still unlikely to prove conclusive. Tomorrow sees the release of consumer credit figures for April, which may have risen by $500m. On Thursday, May producer price data should show a 0.2 per cent increase. Then on Friday consumer price numbers for May should show a 0.3 per cent rise.

Alan Friedman

EUROPEAN BONDS

Price slide raises long-term questions

OPINION remains split over the significance of the precipitous fall in bond prices which hit most markets last week, following Danish voters' rejection of the Maastricht treaty.

Some analysts and fund managers interpreted the shake-out as a fundamental change of direction. To others, the events of the week were seen as a temporary, if violent, correction in the longer-term process of European convergence.

The immediate damage was certainly severe, especially in the high-yielding European markets which have benefited from heavy in-flows of international funds.

For example, Italian bond yields at the 10-year maturity rose from 11.04 per cent at the close on Tuesday, net of withholding tax, to 11.36 per cent by Friday.

Spanish bond yields at the same maturity stood at 11.26 per cent the end of the week, up from 10.90 per cent before the result of the Danish referendum was known.

Bonds denominated in Ecu, the potential single European currency, were especially hard hit. The French government 10-year Ecu bond, the benchmark in the sector, closed the week on a yield of 8.91 per cent, from 8.58 per cent on Tuesday.

About the only area of gain was the German market, which ended higher on the week – 10-year yields at 7.95 per cent by Friday from 7.97 per cent on Monday – in spite of falling in sympathy with other markets in the immediate aftermath of the Danish announcement.

The unresolved question is whether the slide in high-yield European markets will continue or stabilise. It remains to be seen whether investors will totally rethink their asset allocations and switch funds into the markets of the D-Mark block, or out of Europe entirely.

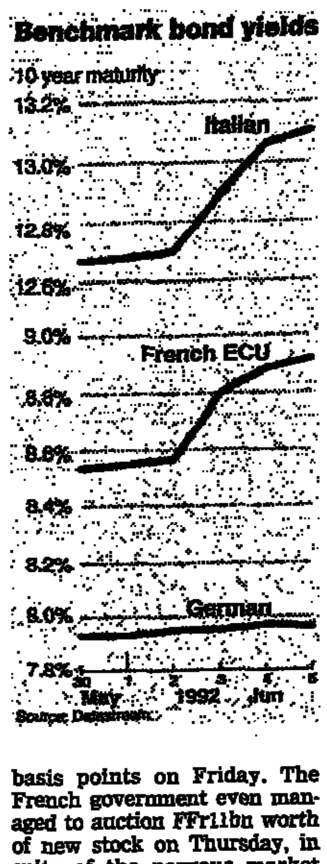
Some switching out of high-yielding bonds had already taken place last month as concern about the Maastricht ratification process started to gather.

According to J.P. Morgan's government bond index monitor, Spain and Italy were among the worst performing bond markets in May – returning only around 0.75 per cent in local currency terms. In the year to the end of April, Spain and Italy were the second and third best-performing markets, outpaced only by UK gilts.

Last week, some fund managers were switching funds within Europe. A favourite strategy was to sell Italian bonds and buy Denmark, which has sound, low inflation economic fundamentals and looked cheap after Wednesday's sell-off.

The Danish government bond market was closed for a public holiday on Friday, but yields had already fallen from the 8.97 per cent peak reached on Wednesday.

Some other markets appeared to have touched bottom by the end of the week. The yield spread of French government bonds over Germany remained steady at 75 basis points on Friday. The French government even managed to auction FFr11bn worth of new stock on Thursday, in spite of the nervous market conditions.



However, the scale of the damage was still substantial. At the close on Tuesday, before the result of the Danish referendum on Maastricht was known, the yield spread stood at 53 basis points.

Yet the Italian and Spanish markets continued to fall. Both markets closed on Friday significantly lower on the day.

One line of argument is that the high-yielding markets will not offer fair value until yields have risen to the levels seen last summer – when it was unclear whether the European Community governments would be able to reach agreement on the text of the Maastricht treaty.

On this view, Italian government bond yields could rise to 11.75 per cent net. Spanish bond yields could rise to 11.9 per cent.

Contrary to the view of some fund managers last week, Danish bonds might not stabilise until yields are around 9.25 per cent.

Against this, the fundamentals have improved in some economies this year. For example, Italian inflation is now running at an annual rate of around 5.7 per cent and falling, having averaged 6.5 per cent last year. So bond prices could settle some way above the levels before Maastricht was calculated into the price of high-yielding markets.

To some investors these arguments were clearly secondary. On this view, the debate over Maastricht is likely to hang over European markets – even those where the economic fundamentals are good or improving – for some time to come.

International funds were retreating from European bonds entirely last week, in favour of the US, Canada and Japan. There was strong buying of Euro-yen bonds towards the end of the week, for example.

Simon London

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	106¼	+¼	5.65
ABN 9 1/8 94	200	105¾		6.30
AETNA LIFE & CAS 7 3/4 16	200	102	+¼	7.56
ALBERTA PROVINCE 8 5/8 96	750	106¼	+¼	6.97
ALBERTA PROVINCE 9 3/8 95	600	108½	+¼	6.44
AMERICAN EXPRESS ZERO 00	450	50½	+¼	8.41
AMERICAN GENERAL 9 3/4 95	100	106¼	+¼	7.39
AMERICAN INTL 0 04	750	37	+¼	8.49
ASIAN DEV BANK 0 04	1000	37½	+¼	8.26
ASIAN DEV BANK 8 96	100	103½	+¼	7.05
AUSTRALIA 11 95	200	111½		6.58
AUSTRIA 7 3/4 97	200	102½	+¼	7.00
[illegible]				
SAS 10 1/8 95	150	108	+¼	7.40
SBAB 9 1/2 95	500	108½	+¼	6.33
SBC FINANCE 7 3/4 96	200	104½	+¼	6.60
SEAGRAM CO 8 1/2 96	100	102½	+¼	7.68
SEARS EURO TRUST 8 3/4 96	750	104½	+¼	7.32
SEARS O/S FIN 0 98	500	62	+¼	8.15
SEARS ROEBUCK EURO 9 3/4 95	500	106½	+¼	7.19
SNCF 7 1/4 94	175	103		5.27
SNCF 9 1/2 98	150	110½	+¼	7.35
STATE BK NSW 8 1/2 96	200	104½	+¼	7.22
STATOIL 7 5/8 96	200	102½	+¼	6.01
SWEDEN 8 1/8 94	150	104½	+¼	5.70
SWEDEN 9 1/4 98	250	109	+¼	7.26
[illegible]				
QUEBEC HYDRO 9 01	300	105	+¼	8.17
QUEBEC HYDRO 9 3/4 98	150	109½	+¼	7.80
QUEBEC PROV 9 98	200	106¼	+¼	7.65
QUEENSLAND GOVT 10 1/4 95	100	110¼	+¼	6.61
RALSTON PURINA 11 3/4 95	150	111½	+¼	7.25
REED PUBLISHING 9 5/8 97	150	108¼	+¼	7.63
SAINSBURY 9 1/8 96	150	107¼	+¼	7.13
SAS 10 99	200	106¾	+¼	8.60

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	87½	−¼	7.24
AUSTRIA 4 5/8 98	100	89	−1	7.03
CHUBU ELEC POWER 6 3/4 01	300	97½	−½	7.14
COUNCIL EUROPE 4 3/4 98	250	88½		7.28
EEC 5 1/2 00	100	89	−½	7.28
EIB 6 1/2 98	800	98¼	−¼	6.80
ELEC DE FRANCE 7 1/4 06	100	101	+½	7.13
FINLAND 5 3/8 95	150	94	−½	7.42
GENERAL MOTORS 7 1/2 95	100	100	+½	7.48
JAPAN DEV BK 5 1/2 94	100	95¼		8.62
KOBE 6 3/8 01	240	96½	+1	6.90
NEW ZEALAND 4 7/8 99	200	87½		7.25
[illegible]				

OTHER STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]				
LUFTHANSA INT FIN 5 7/8 98	500	88½	−¼	8.37
NAT BK HUNGARY 10 3/4 98	500	100½	+1¼	10.61
QUEBEC HYDRO 8 5/8 01	600	100½	+¼	8.48
SWEDEN 6 1/8 98	300	89½	−1½	8.43
TURKEY 10 3/4 96	500	100½		10.56
WORLD BANK 0 15	2000	19½	+¼	7.10
WORLD BANK 5 3/4 96	300	91½	+¼	8.33
WORLD BANK 8 3/4 00	1250	103		8.21

CONVERTIBLE BONDS	Cnv. date		Chg. day	Prem
[illegible]				
NICHIREI CORP	11/06/98	11	−¼	48.79
NIPPON COMSYS	31/01/95	2½	−¼	68.55
NISSHIN STEEL	18/04/96	2¼	−¼	
ROYAL HOTEL	14/03/95	1½		72.52
SMC	25/07/95	2½	−¼	83.96
TAKASHIMAYA	02/07/96	7½	−¼	41.90
TOYO SASH	05/08/97	3½	−¼	
YAMANOUCHI PHARM	01/03/94	11	−1½	22.25

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on June 5

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8th June 1992

WOOLWICH
- Building Society -

£100,000,000
Floating rate notes
due 1996

Notice is hereby given that the notes will bear interest at 10.15% per annum from 4 June, 1992 to 4 September, 1992. Interest payable on 4 September, 1992 £255.14 per £10,000 note and £2,551.37 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

VICTORIA HALL COMPANY, LIMITED
US$11,000,000 GUARANTEED FLOATING RATE NOTES DUE 1992

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest for the period June 8, 1992 to December 8, 1992 will be 4.35% p.a. and the amount payable per U.S.$10,000 denomination will be U.S.$221.13 and per U.S.$100,000 denomination will be U.S.$2,211.25.

June 8, 1992
By: Citibank, N.A. (Issuer Services), Agent Bank

NIPPON CHEMI-CON CORPORATION
U.S. $80,000,000
Guaranteed Floating Rate Notes due 1996
(Coupon No. 3)

In accordance with the conditions of the Notes, notice is hereby given that for the six-month period from 8th June 1992 to 8th December 1992 (183 days) the Notes will carry an interest rate of 4.55313% p.a. Relevant interest payments will be as follows:

Notes of U.S. $10,000
U.S. $231.45 per coupon. (No. 3)

THE SANWA BANK, LIMITED
Agent Bank

U.S. $125,000,000

GREAT LAKES FEDERAL SAVINGS

Collateralized Floating Rate Notes
Series A due December 1997

In accordance with the provisions of the Notes, notice is hereby given that for the three months Interest Period from June 8, 1992 to September 8, 1992 the Notes will carry an Interest Rate of 4.4375% per annum. The interest payable on the relevant payment date, September 8, 1992 will be U.S. $1,134.03 per U.S. $100,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

CHASE

June 8, 1992

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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Sweeping change forces traders to adjust tactics

IN THE aftermath of Denmark's rejection of the Maastricht treaty, bond traders are rapidly adjusting trading techniques and valuation methods, in order to adapt to a changed environment, in which the theme of convergence is no longer relevant.

The most common convergence trade has been a bet that the spread between one of the high-yielding markets, such as Italy, Spain and Portugal, will narrow relative to a low-yielding markets, such as Germany. Last week many of these positions were unwound and in some cases reversed.

In a convergence trade, the view that the spread between Italian bond and bund yields is set to narrow is expressed by selling bunds (or bund futures) and buying Italian bonds. The opposite view is a divergence trade, which involves buying bunds and selling Italian bonds.

In the options market, implied volatility – which pushes up the price – has risen as a result of last week's turbulent conditions, but dealers say that options still offer reasonable value, considering the increased levels of risk now present in the market.

There has been buying interest in options offering protection against further weakness in the Italian bond and currency markets. For example, dealers reported buying of put options on the Italian lira, which can be exercised if the lira falls below the bottom of its range in the exchange rate mechanism.

In the Ecu bond market, investors are no longer prepared to pay a substantial premium to theoretical yields on expectations of benefits from monetary union.

Ecu bonds may have further to fall, as traders revalue their Ecu bond holdings in the wake of last week's turmoil, with greater attention to the theoretical yield models based on the value of the component markets.

"The theoretical yield curve is one aspect of how the Ecu market is traded, just as purchasing power parity is taken into account in the foreign exchange market," said Mr Jim O'Neill, international economist at Swiss Bank Corporation. "But if European monetary union is derailed, the market will go through the theoretic yield curve."

Real yields have already tightened to 10 basis points below theoretical yields, and Mr O'Neill predicts that real yields will soon offer a premium of around 15 basis points.

With prospects for supply in the sector dwindling, investors will demand a liquidity premium for buying Ecu bonds, as well as a premium for economic and political risk.

Tracy Corrigan

FOR MANY international fund managers, the past week has been a nightmare. Denmark's rejection of the Maastricht treaty caused pandemonium in the European bond markets, writes Sara Webb.

The uncertainty which hangs over some of the European bond markets is forcing many fund managers to reassess their investment strategy. Some are considering reducing their European exposure in favour of US, Canadian and Australian dollar investments.

The Danish vote means the prospects for the convergence of bond yields have diminished. Whereas during much of 1991 investors piled into high-yielding European bond markets, such as Spain and Italy, in the hope of gaining from converging interest rates, they will now have to be more discerning about the European bond markets.

Mr Nick Henderson, head of fixed income at Gartmore says: "Post-Maastricht, there is a greater need to differentiate between the markets. Convergence towards German bond yields will still occur in those countries where the economic fundamentals justify it, but we will have to be more careful about those markets where it was just a convergence play."

Spain, Italy and the Ecu bond markets will continue to suffer. These markets were the worst hit last week as dealers switched into D-Mark and guilder assets, and the high-yielding markets are likely to drop further.

"We're advising clients to sell Italian, Spanish, Swedish and Ecu bonds because we think yields will rise further in the near-term, but then we could see a good buying opportunity for these markets after a few weeks," says Mr William Ledward, European economist at Nomura International.

Although there was a burst of activity in the bond markets last week, some fund managers are still assessing their investment strategy.

"Most of the transactions haven't happened yet. Fund managers haven't taken their decisions yet – in situations like this, fund managers often just sit on their hands," says Mr Steven Bell, economic adviser to Deutsche Bank's gilts operations.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Electrolux†	150	1997	5	7.75	100.985	Lehman Bros. Intl.	7.507
Den Danske Bk(a)‡†	150	2000	8	(a)	100	Salomon Bros.	-
Banco Rio de la Plata(b)†	30	1995	3	9	99.778	Bankers Tst.	9.088
Siemens Cap.Corp.(h)†¶	1bn	2002	10	8	132.00	Deutsche Bk.Cap.Mkts	4.046
Swedbank(i)‡†	100	2002	10	(i)	99.75	Morgan Stanley Intl.	-
Astra(j)†	100	1997	5	9.25	98.25	Citicorp Inv.Bk.	9.700
Japan Ass.Finance§	200	1999	6.75	4.5	100	Nomura Intl.	4.497
Isvelmar(o)‡†	125	1995	3	(o)	100	CSFB	-
Banco de Credito Nac.(p)†	60	1994	2.5	10.5	99.06	Chase Inv.Bk.	10.940
Walsin Lihwa Corp.(q)§†	55	2002	10	3	100	Jardine Flemming Intl.	3.000
Credit Lyonnais(x)‡†	250	1995	3	(x)	100	Merrill Lynch Intl.	-
Unibank A/S(y)‡†	100	2000	8	(y)	100	Merrill Lynch Intl.	-
Ceval Alimentos(p)†	80	1994	2.5	10.5	97.67	Citicorp Inv.Bk.	11.600
Banca Commerciale IL(A)†‡	100	1995	3	(A)	100	Merrill Lynch	-
STERLING							
Woolwich B.S.(d)‡†	75	1995	3.5	(d)	99.70	BZW	-
Cie.Bancaire(e)†	50	1998	4.5	10.5	102.721	Natwest Cap.Mkts.	9.881
Nat.& Provincial(z)†	100	2011	9.5	10.75	101.905	Samuel Montagu	10.500
ECUs							
Mobil Oil Canada†	125	1997	5	9	101.475	CSFB	8.624
Investor Intl.Plcmnts(f)§†	200	2001	9	7.25	100	Morgan Stanley Intl.	7.250
CANADIAN DOLLARS							
City of Quebec(r)†	21	1997	5	9	101.80	BIL	8.543
City of Quebec(s)†	16	2002	10	9.625	102.05	BIL	9.301
Toyota Motor Cred.Corp†	200	1996	4	8	100.90	Wood Gundy	7.730
FRENCH FRANCS							
Electricite de France†	3bn	2022	20	8.75	98.65	Paribas Cap.Mkts.	8.880
LKB Baden-Wt.Finance†	1bn	2000	8	8.75	99.39	BNP Cap. Mkts.	8.860
Volvo Grp.Fin.Eur.†	1bn	1997	5	9.50	101.43	Credit Lyonnais	9.131
GUILDERS							
Bank AIG†	200m	1997	5	8.375	100.60	Rabobank	8.224
VSB Groep†	150	1999	7	8.5	99.90	KBW Effectenbank	8.520
D-MARKS							
Rep.of Finland(g)†	2bn	2002	10	8.25	102.125	Deutsche Bk	7.934
Ichikoh Inds.★★†	100	1997	5	9	101.625	Indl.Bk of Jap.	8.587
West Japan Railway†	200	1997	5	8.70	102.25	Deutsche Bk.	8.134
YEN							
Eurofima(k)‡†	20bn	2005	13	(k)	100	Morgan Stanley Intl.	-
Sumitomo Realty & Dev.(t)†	30bn	1999	7	(t)	101.75	Nikko Europe	4.449
Sumitomo Realty & Dev.(u)†	20bn	2000	8	(u)	101.875	Daiwa Europe	-
Sumitomo Realty & Dev.(v)†	20bn	1998	6	(v)	101.75	Daiwa Europe	-
Sumitomo Real.&Dev.(w)‡†	20bn	1998	4.25	(w)	100.10	Goldman Sachs Intl.	-
SWISS FRANCS							
Yamazen Corp.(l)★★♦†	60	1997	-	4.25	100	Deutsche Bk.(Suisse)	4.250
LUXEMBOURG FRANCS							
Cregem Intl.Bk.★★†	350	1995	3	9.375	102.35	Cregem Intl.Bk.	8.439
Remy Cointreau†	600	1997	5	9.25	102.25	KBL	8.676
Cregem Finance(m)†	2bn	2000	8	9	102.25	Cregem Intl.	8.600
Credit Agricole(n)†	1.5bn	2001	9	9	102.00	BIL	8.671
Commerzbank(B)†	2bn	2000	8	9	102.05	KBL	8.635

★★Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. ♦Variable rate note. †Final terms. a) Amount increased from $100m. Callable from 1997 at par. Coupon pays 1.10% above 6-month Libor for the first five years then 2.50% thereafter. c) Issued under $300m MTN programme. d) Fungible with existing £200m deal. Callable on each coupon date. Fees undisclosed. e) Fungible with existing £75m deal. Fees undisclosed. Non-callable. f) Exchangable for shares in Investor AB, the holding company for the Wallenberg family. Borrower is a special purpose vehicle. Conversion premium fixed at 13.85pc. g) Amount increased from DM1bn. Non-callable. h) Exercise premium fixed at 25.00%. Non-callable. i) Coupon pays 120bp over the 6-month Libor and payable semi-annually. Callable at par on the June 1997 coupon date. If call not exercised notes to pay 250bp over Libor thereafter. j) Coupon payable semi-annually. Callable at 98pc on 16.6.94. Put option at 97.875pc on 16.6.95. k) Coupon pays 8bp below 6-month Libor and payable semi-annually. Callable at par in June 1997. l) Exercise premium fixed at 2.61%. Non-callable. m) Issue in 2 tranches of FLux1bn each. n) Amount increased from FLux1bn. Non-callable. o) Coupon pays 40bp over 6-month Libor and payable semi-annually. Fees undisclosed. Non-callable. p) Coupon payable semi-annually. Non-callable. q) Amount increased from $50m. Conversion premium fixed at 7.09%. Callable at 104% on or before June 11. 1997 declining by 1% per annum to par. Put option on 11.6.97 at 132.59 to yield 8.50%. r) Tranche A of C$37m deal. Non-callable. s) Tranche B of C$37m deal. Non-callable. t) Coupon pays 4.75pc from & including June 17, 1992 to, but excluding, Sep. 18. Thereafter coupon will be 6.15pc. Non-callable. u) Coupon pays 25bp over 3-month Libor to Sep. 18, 1992 then 6.2pc therafter. Non-callable. v) Coupon pays 3-month Libor to Sep. 18, 1992 then 6.1pc thereafter. Non-callable. w) Coupon pays 20bp over 3-month Libor. Fees undisclosed. Non-callable. x) Interest rate capped at 5.5pc for the first year, then 7pc for the second and 8pc for the the third. Coupon pays 0.375pc over 6-month Libor and payable semi-annually. Non-callable. y) Coupon pays 105bp over 6-month Libor and is payable semi-annually. Callable at par on coupon dates from July 1997. If call not exercised, spread over Libor will rise to 250bp. z) Callable at par on 1.12.2006. If not called, the bonds will be reset to pay 225bp over five year Sterling Swap rate. Subordinated issue. A) Launched under a $750m Continuously Offered Depositary Receipts Programme. Issue is capped at 5.5% in year one, 7% in year two and 8% in year three. Non-callable. B) Subordinated issue. Non-callable. Note: Yields calculated on ISMA basis

John Plender

Banks back to the future

All recent history suggests that acquisitive financial institutions with grandiose global aspirations have a marked tendency to come unstuck. The US commercial banks' plunge into the British securities market in the mid-1980s; Barclays' and National Westminster's recent adventures in North America; Fuji Bank's disastrous acquisition of Chicago-based Walter E. Heller; and, dare one say it, Midland Bank's catastrophic acquisition of Crocker in California and Hongkong and Shanghai Banking Corporation's unhappy experience with Marine Midland.

With Lloyds finally retreating from the battle for Midland without any damage to its share price on Friday, shareholders in Hongkong and Shanghai must resign themselves to a gigantic leap backwards into the future. One can understand why the men from Hong Kong want to do it. But it is also clear, to judge by the market's response, that the shareholders have as much enthusiasm for their management's international plans as the Danes have for Maastricht. The difference is that bankers are subject to much looser accountability than politicians. But for how much longer?

One explanation for the extraordinary ability of bankers to lose billions over the past decade is that while the liabilities side of their balance sheet has been socialised through deposit insurance, the asset side has been subjected to increased competition. The bankers are thus under pressure to generate increased profits – which implies taking on increased risk – without being subject to any discipline from depositors.

The result is that they find themselves down at Canary Wharf, London's answer to Brasilia, lending billions of unsecured money with no better guarantee than the support of a parent company balance sheet that the Reichmann brothers thought indelicate to show them. The taxpayer ends up footing a substantial bill.

The extreme example is the US after the savings and loan debacle. Yet the US banking system is now pointing to some thought-provoking ways out of the impasse.

If bank stocks have lifted themselves off the floor this year, it is partly because Wall Street has detected that rewards in banking are now being subsidised, as well as risks. That is, the proportion of the asset side of the balance sheet that carries an explicit or implicit government guarantee has been growing as the banks buy Treasury bills, guaranteed mortgage backed securities and the rest.

This risk-averse behaviour is just about profitable thanks to a steepening yield curve, as the Fed drives down short-term interest rates while bond rates remain relatively high. Since short-term rates have not come down in Europe, a flatter yield curve precludes a comparable response. Yet the idea of socialising both sides of the balance sheet as a means of clipping the bankers' wings has its appeal. Why not unbundle the banks to achieve a better matching of risk in the different parts of their business?

The moral hazard implicit in deposit insurance could be minimised if the regulators insisted that insurance was only available where deposits were invested in designated low-risk assets. Insurance might also be continued for the payments system, which is really a utility. Risky assets, meantime, could be financed chiefly by uninsured wholesale deposits, which would carefully sort out the banking sheep from the goats.

All that flies in the face of the mega-merger cult. Nor, incidentally, would it have been impossible to socialise assets in a Lloyds-Midland merger in order to square competition policy. The US Community Reinvestment Act can make bank mergers conditional on the expansion of lending to minorities and the poor. Nationsbank (the newly combined NCNB and C&S/Sovran), for example, is required to expand such lending by $10bn over the next decade.

The commercial equivalent of an ethnic minority in Britain is the small business sector. It would not be hard to stipulate a specific increase in small business lending, as a condition of a merger, to pre-empt excessive concentration. British banks, like their US counterparts, would hate it. But would such a policy cost the banks more than Latin America or Canary Wharf have already cost Lloyds?

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 07.06.92: Pool purchase price £/MWh	Final Prices for Trading on 10.05.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.42	17.15	17.15
0100	19.42	17.15	17.15
0130	19.42	17.19	17.19
0200	19.42	17.31	17.31
0230	19.42	18.70	20.75
0300	19.42	18.70	20.78
0330	19.42	17.16	17.16
0400	19.42	17.15	17.15
0430	19.42	17.14	17.14
0500	19.42	17.14	17.14
0530	17.47	17.16	17.16
0600	17.43	17.15	17.15
0630	17.43	17.15	17.15
0700	17.40	17.15	17.15
0730	17.49	17.16	17.16
0800	17.57	17.19	17.19
0830	20.09	18.74	20.80
0900	20.23	18.74	20.80
0930	20.23	18.74	20.78
1000	20.23	19.58	21.85
1030	23.69	20.61	22.71
1100	23.69	20.63	22.73
1130	26.51	20.63	22.73
1200	26.51	24.90	27.13
1230	26.51	24.90	27.12
1300	26.51	24.90	27.12
1330	26.51	24.90	27.14
1400	24.50	20.63	22.74
1430	20.76	20.63	22.76
1500	20.76	17.19	17.19
1530	20.09	17.16	17.16
1600	17.57	17.16	17.16
1630	20.76	17.16	17.16
1700	20.76	17.16	17.16
1730	20.76	17.17	17.17
1800	20.76	17.18	17.18
1830	20.76	20.63	22.76
1900	20.76	20.63	22.76
1930	20.76	20.63	22.75
2000	20.76	20.63	22.75
2030	20.76	20.63	22.75
2100	20.76	24.90	27.15
2130	27.03	25.00	27.22
2200	27.04	25.00	27.21
2230	27.04	24.90	27.13
2300	26.50	21.49	23.63
2330	26.00	18.96	21.01
2400	17.72	18.51	20.59

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.06.92: Pool purchase price £/MWh	Final Prices for Trading on 11.05.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.60	17.16	17.16
0100	17.57	17.15	17.15
0130	17.53	18.96	20.09
0200	17.53	18.74	19.84
0230	17.53	18.96	20.06
0300	17.49	17.44	17.44
0330	17.49	17.19	17.19
0400	17.49	17.16	17.16
0430	17.47	17.17	17.17
0500	17.43	17.16	17.16
0530	17.39	17.16	17.16
0600	17.35	17.16	17.16
0630	17.44	17.17	17.17
0700	17.72	17.32	17.32
0730	22.70	21.11	22.27
0800	24.14	23.22	24.45
0830	26.78	25.03	26.30
0900	27.99	25.09	26.36
0930	28.03	25.10	26.38
1000	28.03	25.09	26.34
1030	28.04	25.08	26.33
1100	28.04	24.94	26.19
1130	28.05	26.69	28.00
1200	28.05	26.74	28.05
1230	28.05	26.69	27.99
1300	28.04	26.59	27.87
1330	28.00	24.27	25.45
1400	27.99	23.94	25.11
1430	27.99	23.91	25.08
1500	27.99	23.91	25.08
1530	27.98	23.93	25.10
1600	25.54	23.94	25.11
1630	28.00	26.47	27.70
1700	28.00	26.48	27.69
1730	27.99	23.91	25.08
1800	27.99	23.66	24.83
1830	24.36	23.66	24.84
1900	24.36	23.68	24.85
1930	23.78	21.11	22.23
2000	23.44	21.11	22.23
2030	23.44	17.48	17.48
2100	25.11	26.45	27.72
2130	28.51	26.46	27.68
2200	30.95	26.45	27.69
2230	45.51	26.45	27.73
2300	27.99	20.14	21.23
2330	21.90	19.84	20.93
2400	17.80	17.21	17.21

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Standard Chartered

Standard Chartered PLC

(Incorporated with limited liability in England)

US$400,000,000 Undated Primary Capital Floating Rate Notes (Series 3)

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 8th June, 1992 to 8th December, 1992, the Notes will carry interest at the rate of 4.3375 per cent. per annum.

Interest payable on 8th December, 1992 will amount to US$220.49 per US$10,000 Note and US$5,512.24 per US$250,000 Note.

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U.S. $60,000,000
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8th June, 1992 to 8th December, 1992.

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Agent Bank

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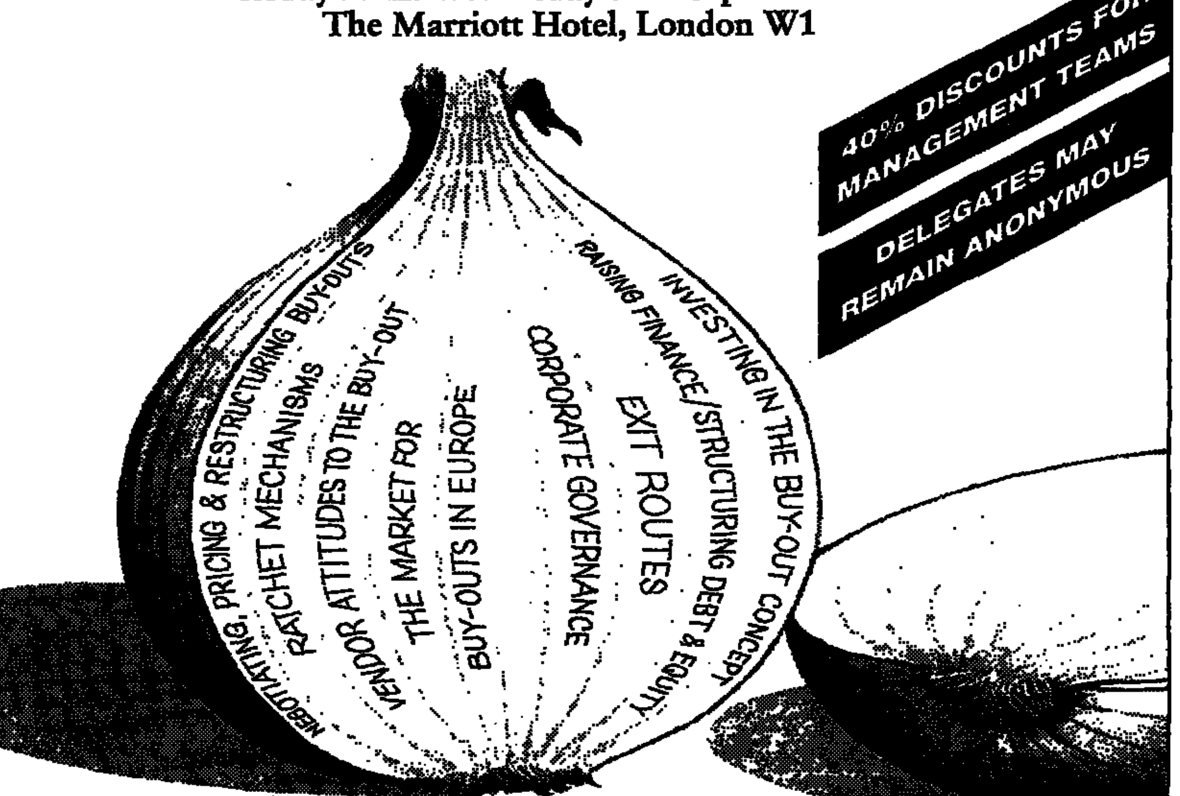

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Data source: Chief Executives in Europe 1990*

FT SURVEYS

BankAmerica Corporation

(Incorporated in the State of Delaware)

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Holders of Notes of the above issue are hereby notified that for the next Interest Sub-period from 9th June, 1992 to 9th July, 1992 the following will apply:

1. Interest Payment Date: 9th September, 1992.
2. Rate of Interest for Sub-period: 5% per annum.
3. Interest Amount payable for Sub-period: US$208.33 per US$50,000 nominal.
4. Accumulated Interest Amount payable: US$208.33 per US$50,000 nominal.
5. Next Interest Sub-period will be from 9th July, 1992 to 10th August, 1992.

Agent Bank
Bank of America International Limited

WORLD STOCK MARKETS

AUSTRIA

1992 High	Low	June 5	Price Sch
2,890	2,130	Austrian Airlines ...	2,270
570	408	Creditanstalt Pf .	533
3,925	2,830	EA General ..	3,538
906	750	EVN	871
16,200	9,850	Jungbunzlauer .	15,801
1,074	840	OeMv	930xd
1,650	1,420	Perlmooser Zement ..	1,580
700	388	Radex Heraklith	617
1,889	1,520	Reininghaus Brau ..	1,690
308	193	Steyr Daimler	204
456	261	Veitscher Magnesit ...	396
567	495	Verbund (Br) A .	526
5,320	3,950	Wienerberger .	4,910xd
1,200	998	Z-Laenderbank .	1,035

BELGIUM/LUXEMBOURG

1992 High	Low	June 5	Price Frs.
2,680	2,110	ACEC-Union Min .	2,625
2,250	1,760	AG Group ..	1,955
4,350	3,220	Arbed	4,175
3,590	3,200	BBL	3,470
12,000	11,500	Bank Intl a Lux ...	11,500
12,400	11,675	Banq Gen Lux Pts .	12,000
1,378	960	Barco	1,360
13,150	9,100	Bekaert	13,150xd
8,800	6,510	CBR Ciment ...	8,540
2,375	1,920	CMB	2,350
5,150	4,800	Cobepa	4,995
5,030	4,780	Cobepa AFV 1 ...	4,845
178	141	Cockerill Priv ...	172
5,070	4,410	Cofinuit	4,930
1,940	1,530	Delhaize Frs Lion .	1,815
5,040	4,500	Electrabel	4,600
[illegible]			

FRANCE (continued)

1992 High	Low	June 5	Price Frs.
518	450	Beghin-Say Cert Inv ..	490
3,350	2,400	Bongrain	3,285
684	515	Bouygues	615xr
1,295	945	CGIP	1,150
202.50	162.50	CM B Packaging ..	186.20
1,205	983	Canal+	1,155
339	271	Cap Gemini S ..	288xd
2,825	2,291	Carrefour	2,638
187.90	132.20	Casino	173.40
848	600	Cetelem	765
1,298	885	Chargeurs	1,268
554	400	Club Mediterranee .	525xd
380	330	Cogifi	343
701	600	Coparex	615
204.90	161.60	C C F	185.80xd
1,050	896	Cr Fonc France ...	915xd
677	490	Cred Lyon (CI) ...	582
1,179	916	Credit National	981xd
3,390	2,325	Damart	3,190
458	338	Docks de France ...	425.50
382	260	Dollfus Mieg Cie ..	372.10
933	710	EBF	855
2,449	2,030	Eaux Cie Genl ..	2,332
486	341.50	Ecco	479
403.80	348.50	Elf-Aquitaine ..	391.40
289	230	Elf-Aquitaine Certs .	275
494.90	300.50	Essilor Int	462
2,160	1,622	Etex	2,040xd
1,680	1,243	Eurafrance	1,589
726	551	Eurocom	710
165.20	108.10	Euro Disney	109.50
127.80	117	Finextel	121
705	580	Fonc Lyonnaise ...	640
3,470	2,280	From Cet Aux ...	3,380
448	302	GTM-Entrepose	414
[illegible]			

GERMANY (continued) [illegible]

NETHERLANDS [illegible]

SWEDEN (continued) [illegible]

SWITZERLAND [illegible]

NORWAY [illegible]

SPAIN [illegible]

ITALY [illegible]

SOUTH AFRICA [illegible]

DENMARK [illegible]

FINLAND [illegible]

GERMANY [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

CANADA

TORONTO

4:00 pm prices June 5

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
[illegible]					
7800	Canamax	28	25	28	+1
1300	Cantor	$28	28	28	
13000	CdnForest x	$27½	27	27½	
107400	Cara Op	445	435	445	+10
1000	Cascades	$7⅞	7⅞	7⅞	
100	Celanese x	$43	43	43	
3000	Cntrl Cap	20	20	20	
59800	Claepx Oda	385	345	380	−15
1200	Cntrl Fd A	450	450	450	
19500	Cominco x	$22⅛	21¾	22	
21700	Coputalog	47	d45	47	−3
[illegible]					
4800	Ivaco A	460	460	460	+10
11200	Jannock x	$15⅛	15	15	
600	KerrAddis	$14½	d14½	14½	
8400	Labatt	$26	25	26	−⅛
182900	Lac Mnls	$8¼	7¾	8	−⅛
7800	Lafarge	$20⅝	20¼	20¼	−½
22300	Laidlaw A	$12⅝	12½	12½	−⅛
196800	Laidlaw B	$12¾	12½	12⅝	
2000	Laurect Bk	$18	d17½	17½	
[illegible]					
34800	Ranger Oil	$9¼	8⅞	9¼	+¼
1800	Rayrock	u57	7	7	
100	Reed Ston x	$24½	24½	24½	
100	Reitman S	$17⅞	17⅞	17⅞	
33300	Ren assnce	$15¼	15	15⅛	−⅛
146700	Repap Ent	465	450	450	−5
6200	Rio Algom	$16⅞	16⅝	16⅝	
56800	RogersComB	$14	13⅞	13⅞	−⅛
1300	Rothmans x	$88½	88½	88½	
232400	RoyalBkCan	$23	22⅞	22⅞	−⅛
14500	Ryl Oak Mn	182	177	178	−2
[illegible]					

1 - No voting rights or restricted voting rights

MONTREAL

4:00 pm prices June 5

Sales	Stock	High	Low	Close	Chng
[illegible]					
300	DomlnTxt A	$6¾	6¾	6¾	
111600	MacleanHnt	$12	11⅞	11⅞	−⅛
93700	NatBk Can	$8⅞	8¾	8⅞	
13200	Provigo	$8⅛	8⅛	8⅛	
200	Quebecor A	$14⅛	14⅛	14⅛	
6300	Teleglobe	u$13½	13⅜	13½	+⅛
2400	Videotron x	$15⅝	15⅜	15⅜	−⅛

Total Sales 11,518,800 shares

INDICES

NEW YORK

DOW JONES

	Jun 5	Jun 4	Jun 3	Jun 2	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3398.69	3399.73	3406.99	3396.10	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	(c)	99.68	99.78	99.77	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1387.89	1377.06	1373.13	1371.64	1467.65 (20/2)	1301.57 (3/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.38	211.25	212.01	211.32	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3424.61 (3427.98) Low 3356.96 (3376.40)

STANDARD AND POOR'S

	Jun 5	Jun 4	Jun 3	Jun 2	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	413.48	413.26	414.59	413.50	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	489.56	489.57	490.90	489.85	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.07	35.07	35.30	35.06	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	227.88	227.90	228.65	228.20	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	397.16	397.18	395.65	393.95	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	585.43	588.26	589.93	589.18	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 29	May 22	May 15	year ago (approx.)
Dow Industrial Div. Yield	2.99	2.92	2.79	2.99

	Jun 3	May 27	May 20	year ago (approx.)
S & P Industrial div. yield	2.63	2.65	2.63	2.74
S & P Indl. P/E ratio	28.96	28.77	28.92	19.24

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Santa Fe	9,805,000	12⅛	...
Reebok	3,997,800	23½	- 2½
Walt Disney	3,976,400	36½	- ¼
Gen Motors	3,199,300	44	+ ⅛
First Chicago	2,872,400	34	+ 1⅛
Bristol Myers	2,792,600	65¾	+ ⅛
Chrysler	2,031,900	20	- ⅝
Merck	1,970,300	49¾	- ½
Am Express	1,919,000	23⅜	- ⅛
Saatchi	1,839,900	1⅛	...

TRADING ACTIVITY

† Volume Millions	Jun 5	Jun 4	Jun 3
New York SE	199.050	204.360	215.730
Amex	11.196	12.279	11.245
NASDAQ	(u)	168.117	171.861
NYSE			
Issues Traded	2,251	2,233	2,259
Rises	795	755	839
Falls	875	933	843
Unchanged	581	545	577
New Highs	55	77	64
New Lows	31	28	24

CANADA

TORONTO	Jun 5	Jun 4	Jun 3	Jun 2	1992 HIGH	1992 LOW
Metals & Minerals	3202.90	3234.27	3183.84	3148.85	3238.87 (16/1)	2828.26 (8/4)
Composite	3392.56	3403.42	3407.34	3410.20	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1788.70	1802.27	1798.62	1795.52	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jun 5	Jun 4	Jun 3	Jun 2	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1674.5	1676.7	1678.1	1676.3	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	712.3	713.0	714.6	712.4	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	416.21	416.07	417.58	416.41	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	1003.48	1003.26	1006.93	1002.09	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1225.54	1224.10	1231.23	1235.40	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	(c)	331.47	335.13	347.73	365.29 (15/1)	326.35 (9/4)
FINLAND						
HEX General (28/12/90)	813.6	817.1	819.0	820.4	935.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	542.30	540.06	546.24	548.16	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1981.58	1994.87	1992.61	2024.87	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	714.24	712.68	719.06	718.22	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	2015.50	2014.20	2029.5	2025.2	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1789.07	1792.31	1788.58	1801.39	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	6035.80	6037.37	6059.39	6082.70 (27/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1373.86	1372.91	1375.11	1376.09	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	487.42	492.90	497.32	500.31	551.59 (6/2)	472.72 (15/5)
MIB General (2/1/92)	961.0	972.0	981.0	987.8	1086.00 (5/2)	932.00 (15/5)
JAPAN						
Nikkei (16/5/49)	17790.04	17964.07	18188.68	18125.58	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1345.96	1354.18	1366.38	1364.58	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	2017.55	2023.02	2032.78	2048.03	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	587.16	586.23	588.43	586.74	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl Rtn Gen.(End 1983)	314.5	314.6	313.7	314.6	314.70 (26/5)	274.00 (8/1)
CBS All Shr (End 1983)	215.2	215.3	214.7	215.3	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	759.71	761.65	760.86	763.92	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1517.21	1496.73	1439.42	1405.72	1517.21 (5/6)	1083.01 (17/2)
SINGAPORE						
SES All-Singapore (2/4/75)	403.59	405.24	406.18	405.96	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1078.0‡	1087.0	1102.0	1083.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4667.0‡	4689.0	4679.0	4646.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	569.20	568.81	568.98	567.34	691.48 (8/2)	567.34 (2/6)
SPAIN						
Madrid SE (30/12/85)	254.64	258.06	260.42	262.05	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	974.5	979.70	983.9	992.2	1014.50 (11/5)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	875.4	873.4	870.3	876.9	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	670.9	671.4	669.8	673.0	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	(c)	4586.61	4503.97	4468.94	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangok SET (30/4/75)	702.24	684.75	679.52	677.10	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	508.2*	508.6	510.4	520.6	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	959.50	963.61	966.98	975.84	976.55 (25/5)	870.31 (2/1)

**Saturday May 30: Taiwan Weighted Price: 4496.58, Korea Comp Ex. 574.20.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 2b Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 5th June 1992

	Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod ...	6.2m	928	-3
Jpn Mtl & Chem .	2.2m	738	-15
Mitsubishi Kakok	2.1m	1,100	-30
Mitsubishi Heavy	1.9m	570	-7
Toray Ind	1.9m	640	+5
TEAC	1.8m	985	-45
Chiyoda Corp	1.7m	1,780	-40
Jpn Steel Works .	1.6m	484	-8
Nippon Mining	1.6m	472	+1
Toshiba Corp	1.6m	642	-4

(Excuse us for asking)

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FINANCIAL TIMES

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AUTHORISED UNIT TRUSTS

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Unit Trust Managers Limited (1600)F						
51 Belmont Rd, Uxbridge, Middx UB8 1QZ 0895 259783						
AIB Grofund American	5	113.4	114.6	120.7	0.00	40591
AIB Grofund Equity	5	182.8	185.0xd	195.7	2.92	40593
AIB Grofund Euro	5	135.4	137.3	144.6	0.72	40594
AIB Grofund Gilt	3	73.92	73.92	76.20	4.77	40595
AIB Grofund Japan	5	107.3	108.6	114.4	0.00	40596
Abbey Unit Tst Mngrs (1800)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	118.9	118.9xd	126.1	8.21	40001
High Inc Equity	6	134.6	137.4	146.1	5.82	40002
Worldwide Bond	6	214.2	214.2xd	227.0	6.27	40003
Capital Growth						

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Allied Dunbar Assurance Plc—Contd.

Century Life Plc—Contd.

Equitable Life Assurance Society

Henderson Administration(z)

Life Association of Scotland

NEL Britannia Assce Co Ltd—Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	Yield Gross	City-line
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY				0733 470470
Property Dist. (Gross)	135.0	142.1	–	43235
Property Acc. (Gross)	257.2	270.8	–	43236
Equity (Gross)	921.4	969.9	–	43237
Managed (Gross)	637.2	670.8	–	43238
Property Acc. (Net)	123.0	129.5	–	43239
Equity (Net)	212.9	224.1	–	43240
Managed (Net)	195.5	205.6	–	43241
International (net)	167.3	176.1	–	43242
Gilt & Fixed Interest	140.3	147.7	–	43243
Money Fund	139.2	146.6	–	43244
Mixed Fund (Cap)	122.4	128.4	–	46550
Mixed Fund (Acc)	127.0	133.7	–	46548
Adventurous Managed	96.0	101.1	–	41201
Cautious Managed	95.7	100.7	–	41202
Pearl Assurance (Unit Linked Pens) Ltd				
Ret. Man (Series 1)	693.5	730.1	–	43245
Ret. Man (Series 2)	235.2	247.6	–	43246
Ret. Cash	195.9	206.2	–	43247
Pens Mixed Fd (Cap)	137.6	144.9	–	46559
Pens Mixed Fd (Acc)	142.2	149.7	–	46558
Pens Stg Fd (Cap)	103.4	108.9	–	46561
Pens Stg Fd (Acc)	106.8	112.5	–	46560
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ				0272 230271
Life Funds				
Managed Aggressive	104.7	110.2	–	43306
Managed Balanced	102.2	107.6	–	43346
Managed Cautious	113.4	119.4	–	43350
Pension Funds				
Managed Aggressive	109.5	115.3	–	43307
Managed Balanced	107.2	112.9	–	43347
Managed Cautious	117.8	124.0	–	43351

For Pioneer Mutual see Swiss Pioneer

	Bid Price	Offer Price	Yield Gross	City-line
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath				0444 458721
American	140.0	148.0	–	43285
Building Soc. Fd	222.0	234.0	–	43286
Balanced	285.0	300.0	–	43287
European	213.0	225.0	–	43289
GT Managed	192.0	203.0	–	43290
Gartmore Mngd	128.0	135.0	–	43291
Geared	137.0	145.0	–	43292
Gilt	184.0	194.0	–	43293

	Bid Price	Offer Price	Yield Gross	City-line
Provident Mutual Life Assc. Assn. – Contd.				
Index Linked Gilt Init	128.0	134.7	–	43489
Overseas Equity Ord	271.7	286.0	–	43490
Overseas Equity Init	198.7	209.2	–	43491
Property Ord	221.6	233.3	–	43492
Property Init	162.0	170.5	–	43493
Fixed Interest Ord	228.0	240.0	–	43494
Fixed Interest Init	166.7	175.5	–	43495
Deposit Ord	186.2	196.0	–	43496
Deposit Init	136.2	143.4	–	43497
Pension Funds				
Managed Ord	476.9	502.0	–	43498
Managed Init	348.7	367.1	–	43499
Equity Ord	750.9	790.4	–	43500
Equity Init	549.1	578.0	–	43501
Pen Ind Lkd Gilt Ord	189.1	199.1	–	43502
Pen Ind Lkd Gilt Init	144.4	152.0	–	43503
Overseas Equity Ord	309.0	325.3	–	43504
Overseas Equity Init	225.9	237.8	–	43505
Property Ord	279.0	293.7	–	43506
Property Init	204.0	214.7	–	43507
Fixed Interest Ord	289.9	305.2	–	43508
Fixed Interest Init	212.0	223.2	–	43509
Deposit Ord	267.0	281.1	–	43510
Deposit Init	195.2	205.5	–	43511
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH				071-405 9222
Prufund				
Managed Jun 3	270.8	282.1	–	43512
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP				071-548 3281
Prudential Managed Funds				
Discretionary Jun 3	£195.24	201.32	–	43539
Equity Jun 3	£227.10	234.85	–	43540
International Jun 3	£27.86	28.43	–	43541
Intl Bond Jun 3	£14.36	14.55	–	43542
Fixed Int Jun 3	£106.22	107.40	–	43543
Index Linked Jun 3	£77.64	78.62	–	43544
Property Jun 3	£109.69	115.76	–	43545
Cash Jun 3	£30.5947	30.5947	–	43546
Pru-Linked Retirement Plan				
Managed Jun 2	475.4	495.3	–	43547
Cash Jun 2	281.0	292.8	–	43548
Prudential Pensions Investment Account				
Pens Mngd Jun 6	188.6	202.9	–	43549

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

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CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Focus on jobs data

ALTHOUGH the markets reacted pessimistically to Friday's non-farm payroll data for May, traders will probably assess the finer details of the indicator this week, *writes James Blitz.*

UK clearing bank base lending rate 10 per cent from May 5, 1992

There are plenty of other US statistics for the market to chew on in the week, including May's producer prices figures due out on Thursday and the same month's consumer prices figures due to be released at the end of the week. But last Friday's non-farm payroll report had been seen as a vital indicator of the strength of the US recovery, and will still need digesting by dollar investors.

Analysts said that there was renewed pressure on the Federal Reserve to ease interest rates and boost recovery after the non-farm payroll report showed that US unemployment had surged to 7.5 per cent in May from 7.2 per cent in April. The dollar responded by falling over a pfennig against the D-Mark to DM1.5880.

But Michael Feeny, of Sumitomo Bank, believes that the upward revision for the April payroll to 182,000 from 126,000 makes the overall picture brighter, and expects the markets to respond to this more fully. "If you average out the revisions it all washes out," he says. "The Fed needs more than weak money supply figures for an ease, but these jobless figures are not weak enough for that."

Trading in European Monetary System currencies is also certain to dominate attention, after Denmark's decision not to participate in European Monetary Union caused a flight into D-Marks. The German currency's rise appeared to be firmly based by the weekend. The UK's retail prices index due out on Friday, which is expected to show a second consecutive monthly rise, could shake sterling further.

£ IN NEW YORK

June 5	Close	Previous Close
£ Spot	1.8320-1.8330	1.8260-1.8270
1 month	0.91-0.90pm	0.89-0.87pm
3 months	2.71-2.69pm	2.66-2.63pm
12 months	8.98-8.88pm	8.75-8.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 5	Previous
8.30 am	92.4	92.4
9.00 am	92.4	92.4
10.00 am	92.5	92.4
11.00 am	92.5	92.4
Noon	92.4	92.4
1.00 pm	92.4	92.5
2.00 pm	92.5	92.5
3.00 pm	92.5	92.4
4.00 pm	92.5	92.5

CURRENCY MOVEMENTS

Jun 5	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.5	−19.3
U.S Dollar	62.7	−15.4
Canadian Dollar	99.5	−2.5
Austrian Schilling	110.2	+12.3
Belgian Franc	111.7	−1.9
Danish Krone	109.5	+3.4
D-Mark	118.8	+25.1
Swiss Franc	105.8	+13.5
Dutch Guilder	114.6	+16.2
French Franc	104.6	−11.7
Lira	98.4	−20.3
Yen	142.6	+77.6
Peseta	107.8	−17.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for June 4

EXCHANGE CROSS RATES

June 5	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.835	2.915	232.7	9.830	2.662	3.282	2206	2.190	60.10	183.5	1.425
$	0.545	1	1.589	126.8	5.357	1.451	1.789	1202	1.193	32.75	100.0	0.777
DM	0.343	0.630	1	79.83	3.372	0.913	1.126	756.8	0.751	20.62	62.95	0.489
YEN	4.297	7.886	12.53	1000.	42.24	11.44	14.10	9480	9.411	258.3	788.6	6.124
F Fr.	1.017	1.867	2.965	236.7	10.	2.708	3.339	2244	2.228	61.14	186.7	1.450
S Fr.	0.376	0.689	1.095	87.42	3.693	1	1.233	828.7	0.823	22.58	68.93	0.535
N Fl.	0.305	0.559	0.888	70.90	2.995	0.811	1	672.2	0.667	18.31	55.91	0.434
Lira	0.453	0.832	1.321	105.5	4.456	1.207	1.488	1000.	0.993	27.24	83.18	0.646
C $	0.457	0.838	1.331	106.3	4.489	1.216	1.499	1007	1	27.44	83.79	0.651
B Fr.	1.664	3.053	4.850	387.2	16.36	4.429	5.461	3671	3.644	100	305.3	2.371
Pta	0.545	1.000	1.589	126.8	5.357	1.451	1.789	1202	1.193	32.75	100	0.777
Ecu	0.702	1.288	2.046	163.3	6.898	1.868	2.303	1548	1.537	42.18	128.8	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

Jun 5	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9 7/8 - 9 3/4	9 15/16 - 9 13/16	9 15/16 - 9 13/16	10 - 9 7/8	10 - 9 7/8	10 - 9 7/8
US Dollar	3 13/16 - 3 11/16	3 13/16 - 3 11/16	3 13/16 - 3 11/16	4 1/16 - 3 15/16	4 3/16 - 4 1/16	4 5/8 - 4 1/2
Can. Dollar	5 7/8 - 5 3/4	6 1/16 - 5 15/16	6 - 5 7/8	5 15/16 - 5 13/16	5 7/8 - 5 3/4	6 3/8 - 6 1/4
Dutch Guilder	9 1/4 - 9 1/8	9 3/8 - 9 1/4	9 3/8 - 9 1/4	9 3/8 - 9 1/4	9 1/2 - 9 3/8	9 1/2 - 9 3/8
Swiss Franc	9 3/8 - 9 1/4	9 3/8 - 9 1/4	9 3/8 - 9 1/4	9 1/4 - 9 1/8	9 1/8 - 9	8 7/8 - 8 3/4
D-Mark	9 11/16 - 9 9/16	9 5/8 - 9 1/2	9 11/16 - 9 9/16	9 5/8 - 9 1/2	9 5/8 - 9 1/2	9 11/16 - 9 9/16
French Franc	10 1/16 - 9 15/16	10 1/16 - 9 15/16	10 1/16 - 9 15/16	10 1/8 - 10	10 1/16 - 9 15/16	10 - 9 7/8
Italian Lira	12 - 10	12 3/8 - 12 1/4	12 3/8 - 12 1/4	12 3/8 - 12 1/4	12 3/8 - 12 1/4	13 - 12 7/8
Belgian Franc	9 5/8 - 9 1/2	9 5/8 - 9 1/2	9 5/8 - 9 1/2	9 5/8 - 9 1/2	9 5/8 - 9 1/2	9 5/8 - 9 1/2
Yen	4 5/8 - 4 1/2	4 5/8 - 4 1/2	4 5/8 - 4 1/2	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4 13/16 - 4 11/16
Danish Krone	10 3/4 - 10 1/2	10 3/4 - 10 1/2	10 3/4 - 10 1/2	10 5/8 - 10 3/8	10 5/8 - 10 3/8	10 5/8 - 10 3/8
Asian $Sing.	3 - 2 7/8	3 - 2 7/8	3 1/16 - 2 15/16	3 1/4 - 3 1/8	3 1/4 - 3 1/8	3 13/16 - 3 11/16
Spanish Peseta	12 3/4 - 12 5/8	12 3/4 - 12 5/8	12 1/2 - 12 3/8	12 3/4 - 12 5/8	12 3/4 - 12 5/8	12 13/16 - 12 11/16

Long term Eurodollars: two years 5 5/8-5 1/2 per cent; three years 6 1/8-6 per cent; four years 6 5/8-6 1/2 per cent; five years 7-6 7/8 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 5) 3 months US dollars		6 months US Dollars	
bid 3 15/16	offer 4 1/16	bid 4 3/16	offer 4 5/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds — June 5

One month 2.33; Two month 3.37; Three year 5.67; Five year 6.55

PHILADELPHIA SE £/$ OPTIONS

£31,250 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.725	10.65	10.70	10.65	10.65	-	0.08	0.54	1.09
1.750	8.15	8.20	8.15	8.18	-	0.27	1.00	1.71
1.775	5.75	5.79	5.96	6.14	-	0.65	1.67	2.54
1.800	3.30	3.74	4.16	4.49	0.15	1.33	2.59	3.56
1.825	1.37	2.21	2.78	3.16	0.70	2.35	3.86	4.93
1.850	0.35	1.20	1.82	2.23	2.29	3.86	5.41	6.55
1.875	0.03	0.57	1.11	1.47	4.40	5.76	7.24	8.27

Previous day's open int: Calls 309,092 Puts 534,944 (All currencies)
Previous day's volume: Calls 22,770 Puts 5,509 (All currencies)

FINANCIAL TIMES STOCK INDICES

	June 5	June 4	June 3	June 2	June 1	May 29	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.86	88.90	89.10	89.58	89.58	89.56	89.58	85.11	127.4	49.18
Fixed Interest	105.00	105.01	105.49	105.92	105.73	105.62	105.92	97.15	105.92	50.53
Ordinary	2077.4	2092.6	2090.7	2111.0	2104.7	2114.1	2149.7	1851.4	2149.7	49.4
Gold Mines	104.9	107.3	106.3	106.1	105.8	108.3	160.6	106.8	734.7	43.5
FT Act All-Share	1294.13	1300.37	1299.93	1310.39	1307.28	1311.79	1326.36	987.46	1326.36	61.92
FT-SE 100	2668.5	2681.9	2680.9	2705.9	2697.6	2707.6	2737.8	2382.7	2737.8	986.9
FT-SE Eurotrack 100	1181.18	1184.92†	1186.81	1200.27	1196.12	1199.58	1199.58	1078.19	1199.58	900.45
FT-SE Eurotrack 200	1228.02	1231.36†	1234.62	1248.70	1241.59	1245.26	1248.79	1120.52	1248.79	938.62

† Indicative.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Fri Jun 5 US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	Thu Jun 4 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1992 High	1992 Low	Year ago (approx)
Australia (69)	152.88	+1.3	123.49	122.49	126.22	133.26	+0.9	4.09	153.12	124.36	123.46	127.25	133.36	153.68	140.94	133.81
Austria (19)	173.96	+4.5	140.51	139.38	143.62	144.19	+9.9	2.04	173.38	140.80	139.78	144.06	144.21	186.70	162.48	198.71
Belgium (46)	143.69	−0.4	116.07	115.12	118.63	116.05	+4.3	5.28	143.13	116.24	115.39	118.95	116.13	146.19	135.67	131.01
Canada (115)	127.94	−6.1	103.34	102.50	105.62	110.62	−3.1	3.31	128.14	104.07	103.31	106.48	111.07	142.12	125.60	142.20
Denmark (35)	239.92	−10.2	193.79	192.23	198.08	200.28	−6.7	1.83	238.27	193.52	192.11	198.02	200.28	273.94	226.81	237.93
Finland (15)	78.16	+0.2	63.13	62.62	64.53	70.96	+4.8	1.95	77.72	63.12	62.66	64.59	71.06	89.80	73.64	114.01
France (104)	164.31	+9.2	132.72	131.64	135.65	138.02	+12.9	3.41	164.24	133.39	132.41	136.48	138.73	168.75	148.06	134.72
Germany (65)	124.64	+6.2	100.68	99.88	102.90	102.90	+11.2	2.25	123.79	100.53	99.82	102.87	102.87	124.92	114.67	112.34
Hong Kong (55)	253.99	+44.0	205.16	203.50	209.70	252.21	+43.2	3.25	253.94	206.24	204.74	211.05	252.21	254.67	176.38	151.62
Ireland (16)	158.97	−5.3	128.40	127.37	131.24	133.57	−1.3	4.07	157.85	128.20	127.27	131.18	133.46	173.71	151.78	153.51
Italy (78)	71.80	−4.8	57.99	57.52	59.27	64.44	−0.4	3.28	72.14	58.59	58.16	59.95	65.15	80.86	69.39	79.25
Japan (473)	104.23	−23.3	84.19	83.51	86.06	83.51	−22.2	1.02	104.19	84.62	84.01	86.60	84.01	140.95	98.70	133.61
Malaysia (69)	236.40	+10.4	190.95	189.40	195.16	229.48	+2.2	2.71	235.39	191.18	189.78	195.62	226.91	250.18	212.49	238.09
Mexico (18)	1673.19	+20.3	1351.49	1340.57	1381.38	5701.26	+23.3	1.00	1669.46	1355.86	1346.03	1387.42	5689.02	1789.77	1378.91	1073.35
Netherland (25)	163.77	+7.3	132.28	131.21	135.21	133.69	+12.3	4.20	162.55	132.01	131.05	135.09	133.65	163.77	147.88	136.94
New Zealand (14)	47.30	+0.7	38.20	37.90	39.05	46.61	+0.9	5.49	47.35	38.45	38.18	39.35	46.80	48.52	42.01	48.33
Norway (23)	187.36	+4.8	151.34	150.12	154.69	158.30	+9.4	1.60	186.49	151.46	150.36	154.99	158.46	192.95	161.26	200.75
Singapore (38)	225.18	+2.5	181.88	180.42	185.90	168.47	+2.7	1.97	225.21	182.90	181.58	187.16	169.11	228.43	192.76	205.12
South Africa (61)	246.11	−1.1	198.79	197.18	203.18	186.38	+8.9	2.72	248.39	201.73	200.27	206.42	188.81	263.60	203.16	218.81
Spain (50)	156.82	+0.3	126.67	125.65	129.47	118.92	+3.8	5.12	158.37	128.62	127.69	131.62	120.46	161.72	146.86	156.36
Sweden (27)	197.54	+9.1	159.56	158.28	163.10	187.93	+13.0	2.64	197.64	160.52	159.36	164.26	188.97	200.28	173.09	189.00
Switzerland (61)	108.17	+7.8	87.38	86.68	89.32	97.26	+15.4	2.26	107.34	87.18	86.55	89.22	97.36	108.17	95.99	92.41
United Kingdom (228)	198.89	+6.2	159.04	157.74	162.54	159.04	+8.3	4.70	195.85	159.87	158.70	163.58	159.87	200.07	165.85	167.44
USA (522)	168.53	−0.8	136.13	135.03	139.14	168.53	−0.8	2.96	168.48	136.83	135.84	140.02	168.48	171.66	160.92	153.73
Europe (792)	155.66	+5.4	125.73	124.71	128.51	128.00	+9.0	3.84	155.39	126.20	125.29	129.14	128.53	156.88	139.31	137.13
Nordic (100)	182.28	−0.8	147.23	146.04	150.49	148.26	+3.0	2.19	181.72	147.58	146.51	151.02	148.72	188.52	169.66	182.05
Pacific Basin (718)	110.78	−19.2	89.48	88.76	91.46	89.87	−18.2	1.38	110.74	89.94	89.29	92.03	90.33	141.97	94.40	133.98
Euro−Pacific (1510)	128.95	−9.0	104.16	103.31	106.45	105.64	−7.1	2.56	128.82	104.62	103.86	107.05	106.13	145.21	113.80	135.57
North America (637)	165.98	−1.1	134.07	133.00	137.06	164.59	−0.9	2.98	165.95	134.77	133.81	137.93	164.57	169.69	158.70	152.93
Europe Ex. UK (564)	131.07	+4.7	105.87	105.04	108.24	110.07	+9.4	3.19	130.70	106.15	105.40	108.64	110.45	131.77	121.81	118.54
Pacific Ex. Japan (245)	175.25	+16.8	141.56	140.43	144.70	155.35	+15.4	3.47	175.26	142.34	141.33	145.66	155.42	175.31	149.00	137.20
World Ex. US (1704)	131.22	−8.5	105.99	105.14	108.34	108.05	−6.4	2.58	131.13	106.50	105.73	108.98	108.54	146.91	116.45	137.16
World Ex. UK (1998)	137.71	−7.0	111.23	110.34	113.71	123.43	−5.6	2.47	137.63	111.78	110.98	114.39	123.70	150.58	127.21	139.25
World Ex. So. Af. (2165)	142.13	−5.6	114.80	113.88	117.35	126.16	−4.3	2.73	142.03	115.35	114.53	118.05	126.51	153.05	130.04	141.25
World Ex. Japan (1753)	164.47	+2.2	132.85	131.79	135.81	151.60	+3.6	3.29	164.38	133.50	132.54	136.63	151.83	165.40	153.20	147.37
The World Index (2226)	142.81	−5.6	115.35	114.42	117.91	126.75	−4.2	2.73	142.73	115.92	115.09	118.63	127.08	163.70	130.66	141.73

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Constituent changes during the week ending 5/6/92: Addition: Swiss Bank Corp (Reg.) (Switzerland). Name change: Control Data to Ceridian Corp. (USA).
Markets closed June 5: Denmark and Hong Kong.

LONDON SHARE SERVICE

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	Nat Westminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	First National Bank Plc	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	● Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Hampshire Trust Plc	13.5	TSB	10
Benchmark Bank	11	Heritable & Gen Inv Bnk	10	Unibank plc	10
Brit Bk of Mid East	10	● Hill Samuel	10	● United Bk of Kuwait	10
● Brown Shipley	10	C. Hoare & Co.	10	Unity Trust Bank Plc	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

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Money Market Trust Funds

Money Market Bank Accounts

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The Chart Seminar

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	17⅜xd	-52.7	60c	FeMyAuNv	8.4	1503
ψAllegheny & W		388p	1.0	38c	–	–	–
Amdahl		873p	-4.4	10c	NvMrJeAu	31.1	–
Amer Cyanamid		31⅞	-3.4	$1.66	MrJeSeDe	4.3	–
Amer Express		13⅛xd	4.7	$1.00	FeMyAuNv	31.3	1594
Amer T & T		22⅞xd	-1.3	$1.32	FeMyAuNv	27.3	1597
Ameritech		33⅝	-2.5	$3.52	FeMyAuNv	28.3	–
BankAmerica		24⁹⁄₁₆xd	-1.1	$1.36	FeJeSeDe	19.5	1744
Bankers NY		30¼xd	-3.9	$1.52	ApJyOcJa	27.12	1745
Bell Atlantic		23⅝	-1.6	$2.60	FeMyAuNv	4.7	–
BellSouth		28¼	-3.5	$2.76	FeMyAuNv	5.4	–
ψBethlehem Steel		8¼xd	5.7	–	MrJeSeDe	6.2	1821
Bowater		1217pxd	-1	$1.20	OcJaApJy	5.3	1884
CPC	h	23¾	-1.3	$1.20	JaApJyOc	30.3	2263
ψCadiz Land Inc		248p	–	–	–	–	–
California Engy		868p	-1	–	–	–	–
Campbell Soup		17⅝	-3.7	78c	OcJaApJy	24.12	2050
Chase Manhattan		15¾xd	-2.0	$1.20	FeMyAuNv	24.4	2109
Chrysler		11¼xd	13.9	60c	ApJyOcDe	11.3	2135
Citicorp		10⅝xd	4.3	–	–	21.10	2141
Colgate-Palm		28⅝xd	–	$1.06	FeMyAuNv	22.4	2184
Cont'l Bank		996p	–	60c	DeMrJeSe	31.5	–
Dana		23½xd	3.9	$1.60	MrJeSeDe	28.5	2306
Data General		438p	-7.0	–	–	–	–
Dial		18⅞xd	-6	$1.12	JaApJyOc	27.5	2778
Dun & Brad		38	1.7	$2.28	MrJeSeDe	13.2	–
Eaton		45½	0.3	$2.20	FeMyAuNv	2.2	2410
EchIon		10⅜xd	6.4	78c	JaApJyOc	2.4	3046
FPL		18⅝xd	-2.6	$2.44	MrJeSeDe	26.5	–
Fluor		23¾xd	-3.8	40c	JaApJyOc	19.3	2609
Ford Motor		28⅞	8.8	$1.60	MrJeSeDe	29.4	2615
Gen Elect		41¾xd	-9	$2.20	JaApJyOc	3.8	2675

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	W'k% ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scot National Inc		94xd	-3.1	3.85	ApJyOcJa	109.1	1.5	3961
" Cap		29	-2.4	–	–	18.5	–	3908
Stepped Pf	†	141	–	5.25	Sep Mar	48.9	24.2	3902
Zero Div Pf		106	0.6	–	–	118.8	–	3904
Warrants		6	-14.3	–	–	0.77	–	3963
Scot Value	†¤	631½xd	–	1.6	Jan Jul	14.9	1.6	2786
Sec Alliance	†	1254	-9	35.8	Apr Oct	249.8	24.2	3974
Second Market	§	242	-4	1.5	May	242.3	8.4	3975
Sec Tst Scot		73	-1.4	3.25	Jul Dec	233.8	11.5	3977
Select Assets		94	-3.1	0.89	Apr	22.6	24.2	6805
Eq Ind Serl		123	–	4.25	JaApJoOc	21.7	6.4	4803
Eq Ind Serll		123	–	4.25	JaApJoOc	26.1	6.4	5085
Shires		249	.04	10.4	ApJyOcJa	82.2	9.3	4814
11pc Cv Ln '03/04		£116½	–	Q11%	Sep Mar	29.4	24.2	4812
Siam Select		75	-6.6	1.0	Jul	11.5	–	1907
Warrants		15	–	–	–	0.45	–	1978
Smaller Cos		84	–	2.5	Apr Oct	12.8	24.2	3698
Warrants		18	-6.3	–	–	4.54	–	3699
Sphere Inc	N	15	-3.4	3.1	MyAuNvFe	18.2	27.4	4278
Zero Div Pf		77¼	0.7	–	–	82.8	–	6227
Warrants		8¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

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4:00 pm prices June 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¼	AAR Corp	0.48	3.8	15	150	12¾	d12⅝	12¾	
28	20⅝	A L Labs A	0.18	0.8	91	181	23⅛	22⅞	22⅞	-⅛
68¾	56	AMP Inc	1.52	2.5	24	542	60⅜	60	60¼	-⅛
80½	60⅞	AMR			17	34376	65⅞	64⅛	65⅛	+1⅛
2⅜	1⅛	ARX			2	3	1¼	1¼	1¼	-⅛
53½	40¾	ASA	2.00	4.6	12	363	43½	43	43¼	-⅛
34¼	29½	Abbott Lab	0.60	1.9	23	6881	32¼	31⅝	31⅞	+¼
13⅞	12	Abitibi Pr	0.42	3.1	9	9	13⅛	13⅛	13⅛	+⅛
11⅝	10⅛	ACM Gvt In	0.96	8.8		150	11	10⅞	10⅞	
10⅛	9⅛	ACM GvOpp	0.80	8.3		126	9⅝	9½	9⅝	+⅛
9½	8⅛	ACM Gd Sp I	0.80	8.9		142	9⅛	9	9	-⅛
11¼	10⅛	ACM Gd Sc I	0.96	8.9		903	11	10⅝	10⅞	-⅛
9⅝	8⅝	ACM Man	0.95	9.9		210	d9⅝	9½	9⅝	+⅛
12⅞	10⅝	ACM Managd	1.08	9.3		69	11¾	11⅝	11⅝	-⅛
11⅞	6¼	Acme Cleve	0.40	5.6	24	63	7¼	7⅛	7⅛	
6¼	4½	Acme Elect			4	41	4⅞	4⅞	4⅞	
33¼	18⅞	Acuson			13	2010	21⅞	21⅞	21¼	-⅛
19½	18⅛	Adams Expr	0.48	2.6	0	31	18⅞	18⅞	18⅞	
49⅛	39	Ad Micro	3.00	7.6		22	39⅝	39⅛	39½	-⅛
21½	14⅝	Ad Micro P	3.00	20.0		63373	15⅛	14⅞	15	-⅛
9⅛	5	Advest Grp	0.16	2.4	65	28	6⅝	6½	6⅝	+⅛
71¼	66	Aegon ADR	3.33	4.9	6	2	69¼	69¼	69¼	
47	38⅞	Aetna Lf	2.76	6.9	7	1049	40⅛	40⅛	40⅛	-¼

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
37	28½	Xtra Corp	0.80	2.3	12	86	34⅞	34⅝	34⅞	+¼
27	25¼	Yankee Egy x	1.66	6.4	11	125	26⅛	26	26	−¼
1½	½	Zapata			56	634	1⅛	1	1⅛	
11⅛	6¾	ZenithElec				41794	8	7¾	7⅞	−⅛
18⅜	14½	Zenith Nat	1.00	5.6	8	378	18⅛	17¾	17¾	−¼
7⅛	6	Zenix Inc	0.85	12.3		184	6⅞	6¾	6⅞	+⅛
13¾	11	Zero Corp	0.40	3.4	19	314	11⅞	11¾	11⅞	
38	30⅛	Zurn Ind	0.88	2.9	33	808	30⅝	d29⅞	30⅝	+⅛
14⅛	12⅜	Zweig Fund	1.16	9.3		316	12⅝	12½	12½	
11	9½	Zweig Totl x	1.00	10.3		1315	9¾	9⅝	9¾	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. *xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices June 5

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.36	26	6752	25¾	24¾	25⅛	+1⅞
Pegasus G	0.10	32	65	12⅝	12½	12½	
Perini	0.80	27	11	13	12⅞	12⅞	−¼
Pet HtAP	1.14	14	15	13½	13¼	13½	+¼

NASDAQ NATIONAL MARKET

4:00 pm prices June 5

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		24	6406	22½	21	21½	−¼
Xoma Corp			822512	14¾	14	14¾	−½
Yellow Fr	0.94	24	863	29¾	28⅞	29¾	+¼
York Rsch		50	1410	6	5½	6	+½
ZionsUtah	1.44	10	332	52⅝	52	52¾	−1

GREECE

The FT proposes to publish this survey on
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Professional investors in over 160 countries worldwide and 54%* of chief Executives in Europe's largest companies will see this Financial Times Survey. This definitive examination of Greece, its business, its position with the European community and its politics will be retained by influential FT readers for future reference. For a copy of the editorial synopsis and advertisement rates contact
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*Data source: Chief Executives in Europe 1990

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FINANCIAL TIMES

MONDAY INTERVIEW

Advocate of evolving intervention

Dominique Strauss-Kahn, the French industry minister, talks to **William Dawkins, Andrew Gowers** and **Ian Davidson**

Mr Dominique Strauss-Kahn, France's forceful young industry minister, has little time for free-marketeers who lambast the French government for propping up state-owned industries.

"My personal conviction is that we are living in the last part of the ultra-liberal phase which began in California in the mid-1970s," says Mr Strauss-Kahn, 43, who emerged from relative obscurity a year ago to become French industry and foreign trade minister and one of Europe's most articulate advocates of an active industry policy.

"If the 1980s were dominated by financial questions and financial regulations, the 1990s will be the time for states to intervene in industry in the same way as they do in finance, as regulators – but not just as regulators, as co-ordinators as well," he says.

Whether you agree with Mr Strauss-Kahn or not – and plenty of private sector financiers and industrialists in France do not – his views are worth listening to. If the Maastricht Treaty on monetary and political union were implemented by EC member states, the European Community would have the legal power, for the first time, to seek to improve industry's competitiveness. Even if last week's Danish vote has thrown the process into turmoil, Mr Strauss-Kahn will be pushing industrial policy hard, both at home and in the EC, in the years ahead.

Mr Strauss-Kahn is a typical member of the highly educated elite that runs France, both in and beyond government. Trained as a lawyer, the former university economics professor was chairman of the parliament's economics commission before becoming industry minister. Fond of good food and skiing, he is married to Ms Anne Sinclair, one of France's best-known female television interviewers.

Since his appointment in spring 1991 by the former prime minister, the industrially interventionist Mrs Edith Cresson, Mr Strauss-Kahn has been unusually prominent for a French industry minister – traditionally a low-profile job. In the past, industry strategy tended to be set by the prime minister and finance minster: Mr Roger Fauroux, his predecessor, once said he saw his job as being like the chief executive of a diversified holding company. By contrast, Mr Strauss-Kahn is one of the thinkers behind the controversial plan to reorganise the French state electronics industry to create an electronics-to-nuclear-energy group, an example of what he means by "co-ordination".

That plan, for a merger of Thomson Consumer Electronics (TCE), the loss-making manufacturer of audiovisual equipment and home appliances, and CEA-Industry, a nuclear fuel and reactor group, sparked off a debate in France over how far interventionism should be allowed to go. The project has since been scaled down by Mrs Cresson's successor, Mr Pierre Bérégovoy. Now the nuclear energy group is expected to take a minority stake in TCE.

Yet the fact that Mr Strauss-Kahn kept his job at all under the new prime minister in the April government reshuffle underlines how important industrial strategy remains in France, even after the relative retreat of state interventionism. "Why should the state be more passive than a private shareholder? It can manage well or badly, but it is not being interventionist in itself to try to manage one's assets as efficiently as possible," says Mr Strauss-Kahn.

The minister has no patience with criticisms of the logic behind the proposed link between a maker of washing machines and a nuclear research body. Mr Strauss-Kahn, highlighting two controversial private sector link-ups, says: "Look at Siemens and Nixdorf, or the alliance between Volvo and Procordia. They might be good choices or bad ones, but nobody questions that they are legitimate."

At the same time, he is pragmatic over how far the state should wield influence. He openly admits that state ownership is a second-best solution for companies unable to flourish under private ownership. "I say 'yes' to state ownership not as a matter of principle, but because it is appropriate for a country like France with its history, culture and state of development. Once you have said 'yes' to this question, the behaviour of the state must be that of a shareholder who is as wise as possible, acting in the interests of those who have accorded it power, in this case the whole of the French people," he explains.

State funding, by contrast, is vital for projects that are too long term or risky for private companies to handle on their own, such as making the next generation of semiconductors, he argues. In this respect, he believes that the EC gives too much power to its competition authorities, with their repeated attacks on state aid, and has an inadequately developed industrial policy.

Sir Leon Brittan, the EC competition commissioner, who has frequent run-ins over state aid and merger policy with the French government, "is right in theory", says Mr Strauss-Kahn, with barely disguised condescension. "But real life is far from the theoretical world in which we would like to live," he says. In real life, he adds, market forces are imperfect: today's sophisticated industrial products tend to emerge more as a result of costly research and development, than in response to consumer demand.

"We cannot take our cue from the markets alone for very long-term or risky decisions." Governments that have lent a helping hand to emerging industries have gained a competitive edge over governments that have left technology development to the mercy of market forces, he argues.

Certainly, it is harder to decide just where governments have a duty to intervene. "There are no absolute rules to determine what is a strategic industry . . . What is strategic or not, or what requires intervention or not, does evolve," says Mr Strauss-Kahn.

Of course, it is up to the government to decide what is strategic. Broadly, he sees three kinds of business in which governments can legitimately act as guardians of national interests: defence; sectors where technological independence should be guaranteed; and vital supplies such as oil and nuclear energy.

On oil, Mr Strauss-Kahn sees no ideological difference between the French state's desire to wield some control over its oil companies and the way in which the US or Saudi governments defend the interest of their own oil producers. This explains why, for example, the French government is happy to reduce its direct stake in Total, the oil group, to a mere 5 per cent, but will still keep the right to nominate the chairman and vet its international agreements.

There is no doubt that the frontiers of strategic industry are on the move, as shown by the government's programme of partial privatisations, in which it is prepared to sell up to 49 per cent of state-controlled companies.

Revealingly, Mr Strauss-Kahn's thumbnail definition of today's strategic sectors does not apply to huge chunks of current French state industry such as cars, steel, insurance and banking. But he is not naive enough to broadcast in advance which privatisations will follow the partial sales that have already been made at Elf, Total's larger state-controlled rival, and at Crédit Local de France, a local authority bank.

Yet the case of Renault, the symbol of French industrial policy, does illustrate his general strategy. Here Mr Strauss-Kahn favours the state-owned carmaker's alliance with Volvo, the Swedish car group, because the basic business of carmaking can no longer be said to be strategic. But that does not mean that the government has completely lost interest. Instead, its interest has become more selective, shifting from basic manufacturing to electronic components, for example, he says.

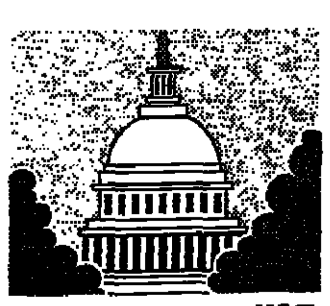
The overall impression is of a pragmatic, sometimes opportunistic approach to industrial issues. Successful or not, the image of French industry policy embodied by the eloquent Mr Strauss-Kahn is very different from that of 10 years ago. The aim used to be to keep inefficient manufacturers alive; today, Mr Strauss-Kahn sees his job as nudging the public sector into a high-technology world, in competitive shape.

'We cannot take our cue from the markets alone'

PERSONAL FILE

1949 Born Neuilly-sur-Seine. Educated Lycée de Monaco and Lycée Carnot, Paris. University of Paris X-Nanterre, bachelor of law; diploma from Ecole des Hautes Etude Commerciales.
1981 Professor at University of Paris X-Nanterre.
1984 Deputy planning commissioner.
1986 Socialist member of parliament, Haute-Savoie.
1988 Member of parliament, Val d'Oise. President of parliamentary finance commission.
1991 Minister of industry and foreign trade.

Oregon blazes an electronic trail



MICHAEL PROWSE
on America

Atop the Art Deco Capitol building in Salem, Oregon, a golden statue of a rugged settler symbolises the state's pioneering spirit. The old frontier is closed, but the state's leaders are still finding new trails to blaze.

The hottest idea in American politics is Mr Ross Perot's proposed "electronic townhall". The Texas billionaire and likely presidential candidate believes the US can solve its economic and social problems only if politicians use electronic technology to consult regularly with the people. Barbara Roberts, the governor of Oregon, has already conducted just such an exercise, known as "The Conversation".

When Oregonians elected Ms Roberts, a liberal Democrat, to the governorship 18 months ago, they simultaneously passed Measure 5, a tax initiative that sharply cut local property taxes and shifted responsibility for financing education to the state government. Ms Roberts had ambitious plans for improving state services, but was faced with a prospective budget deficit in the biennium beginning next year of about $1bn, or nearly 20 per cent of revenue. She says she undertook state-wide electronic consultations for two reasons. She sensed unprecedented voter unease. "People felt left out . . . we needed to build trust." At the same time, she believed public opposition to taxes reflected a lack of understanding of the issues. "I felt if they had my information, they would reach my conclusions."

The Conversation took place last winter and worked as follows. On a given evening, 20-30 small groups of citizens were assembled at different locations across the state. They were in two-way audio contact with each other and with the governor. There was also a one-way video link: all the groups could see the governor but she could not see them. Ms Roberts would raise an issue. The groups would discuss it. Then each group would be asked to outline its conclusions. At the end of the process, the participants filled out a detailed questionnaire.

Through such electronic meetings, the governor was able to consult directly with 10,000 Oregonians. She stresses that participants were randomly selected from voter registration lists, thus forestalling one of the objections to Mr Perot's plans – that political activists might dominate electronic meetings. She says the exercise was far more effective than ordinary polling because participants had to think about the issues rather than merely offer an instant, uninformed judgment.

The governor claims The Conversation reached a clear conclusion. The people voiced willingness to pay for essential services, but only if the state government first demonstrated greater efficiency. To fulfil her side of the compact, Ms Roberts is enthusiastically streamlining the public sector. She has announced that some 4,000 state jobs (about 10 per cent of the total) will disappear and plans to close dozens of state boards and commissions. But improvements in efficiency can reduce spending by at most $200m, about a fifth of the savings needed to balance the books. She has thus just embarked on stage two of her programme, which is to seek support for a radical restructuring of taxes to make up the remaining revenue.

Many Oregonians are dubious about the benefits of The Conversation: the governor recently survived a drive to "recall" her – in other words, turf her out early. Ms Ellen Lowe, a church leader and advocate for the poor, sympathises with the governor's aims but says the electronic meetings failed to discuss the main issue, which is the need to bring Oregon into line with other states by introducing a sales tax. Instead, they degenerated into an exercise in bashing government.

Mr Bill Wyatt, president of the Oregon Business Council, which represents chief executives, says Ms Roberts has not persuaded most business leaders of the need for higher taxes. But he claims The Conversation was an "outstanding idea" which was less effective than it might have been because of lack of resources. He contrasts her unconventional approach favourably with that of Governor Lowell Weicker in Connecticut. Facing a similar fiscal crisis, Mr Weicker forced through legislation for an income tax by "putting a gun to the head of the legislature". The public reaction was an explosion of rage.

Mr Wyatt believes electronic conversations that try to educate voters while providing direct feedback for politicians represent the future of American politics. "The technology is there. The question is only the role that it will play."

Is it a coincidence that the first large-scale attempt to consult electronically with the people was conducted by a woman? Governor Roberts, whose trim appearance and no-nonsense style remind one of the younger Margaret Thatcher, says not. "I think women lead differently. They are consensus builders. They don't need to find scalps."

With a female governor, and with women instrumental in pushing through radical reforms of both health care and education, Oregon is at the forefront of another national trend: a drive by women to play a bigger role in state and national politics. The combination of female politicians and electronic townhalls could prove potent. You never know, President George Bush's hopes for a "kinder, gentler America" might even be realised.

JOTTER PAD

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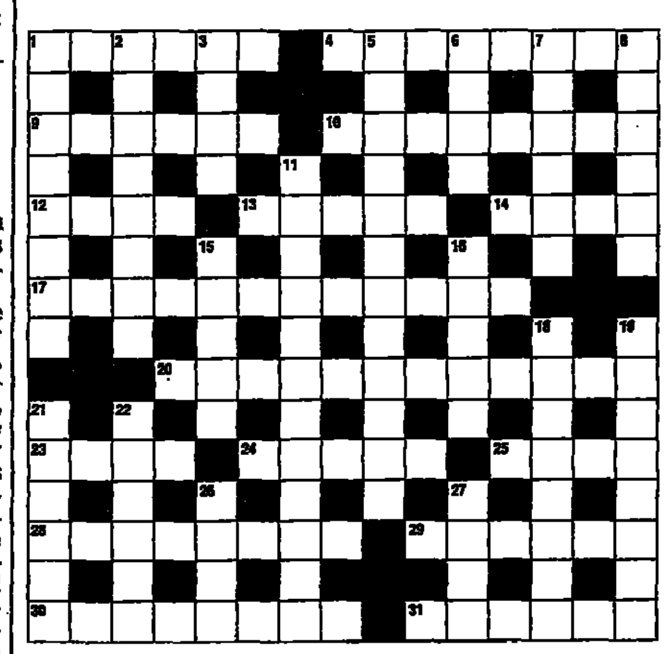

ACROSS
1 In punishment it's limited (6)
4 It's very fragile and prompts a state of misery (8)
9 Gather a crowd, we hear (6)
10 Pride etc goes tumbling? Feeble (8)
12 Bird seen in the Bernese Alps (4)
13 Metal frame right in the entrance (6)
14 Let go, as there's no change (4)
17 Company store with changes, serving to make amends (12)
20 Din upset 1 across in the city endlessly (12)
23 Mark's back at school (4)
24 Confuse the composer (5)
25 Medal that could be struck (4)
28 A Channel Island constant expense for environment blight (4,4)
29 Car in a mess? Could be a sort of tobacco (6)
30 PE? We'd nod off in the plant (8)
31 Lots of nameless idiots (6)

DOWN
1 Dance for fire-serviceman (8)
2 Anne and Mick, perhaps get a familiar title? (8)
3 Not slack but educated, they say (4)
5 Make them to achieve rapid progress (5,7)
6 Old vessel follows the sun to island (4)
7 Former partner has wine to sell abroad (6)
8 Issue a bin for it (6)
11 Ill-tempered Test? Ask searching questions (5-7)
15 Some hope on yellow flower appearing (5)
16 Gold piece in the range (5)
18 Note earth rising. A stone, possibly (8)
19 Sussex split in the field? (3-5)
21 Go for the month's measure of current (6)
22 The preparation for lot "number one" coming up (6)
26 Second line seen on the face? (4)
27 The dash in the cabriolet (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 20.

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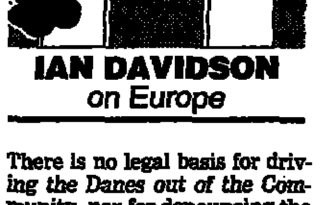
By: The Chase Manhattan Bank, N.A.
London, Agent Bank
June 8, 1992

CHASE

End of the single gospel



IAN DAVIDSON
on Europe

When the Danes voted against Maastricht last week, the other 11 member governments sternly declared that there could be no question of renegotiating the treaty. They would, wouldn't they? After so much sweat, the natural reflex is to put the frighteners on the Danes, and hope they change their minds later this year. If the 11 once open the door to renegotiation, the treaty would unravel faster than Penelope's knitting.

In a situation of profound disarray, this is a reasonable improvisation: doing nothing looks like standing firm, it is an easy basis for unanimity, and it seems to gain time. But if the Danish people do not change their minds, it is the 11 who will have to think again.

Some quick minds in the Community circuit have already started to think again, and are touting various power plays to force through the implementation of the Maastricht Treaty, regardless of the Danish verdict. One such scheme is to drive the Danes out of the European Community: if they do not want the new Europe, they should at least allow the rest to get on with it. Alternatively, the 11 should denounce the Community's existing Treaty of Rome, and set up house next door in a brand new structure which just happens to be the Treaty of Maastricht.

I do not know if these muscular fantasies are seriously meant, but they will not do. There is no legal basis for driving the Danes out of the Community, nor for denouncing the Treaty of Rome. Even if the Danes could be bounced into withdrawing, that would be a fearful omen for the new Europe, whose central characteristic is that it is based on democracy and the rule of law, not on ruthless intimidation by a gang of toughs. This would not be the kind of Community any civilised country should want to join. If the Danes, why not the Greeks? They are far more deserving of eviction. If it comes to that, why not the British?

If the Danes do not quickly change their minds, the stand-pat position announced last week in Oslo will lose all plausibility. For a few months, perhaps, the French can push ahead with the revision of their constitution, as if nothing untoward had occurred; but they will be running a fearful risk if they then call a popular referendum to ratify a treaty whose legal credibility is holed below the water line.

And yet: the 11 did not let the British prime minister, John Major, prevent them from fixing the target of a single currency, nor from adopting a social charter. The very idea that Danish voters should totally block the rest of the Community from moving to a new phase in the integration of Europe is clearly inadmissible.

The problem is that the Maastricht Treaty is not a self-standing agreement, but a far-reaching modification of the Rome Treaty. Here is the crux of the dilemma: is Maastricht a seamless gospel, perfect in all its parts, which cannot be touched without destabilising the whole structure; or does it contain discrete nuggets which can be dug out and encrusted in one or more new Communities?

It is easy to see why the 11 refuse to appease the Danes in a renegotiation of the terms of the Treaty of Maastricht: they would all then have to renegotiate the treaty to appease their own anti-marketeers as well. The attack would be led by the Germans; and before you could say Jacques Delors, the Treaty of Maastricht would have disappeared in a cloud of smoke.

But a strategy of disaggregation of the treaty need not involve any substantive renegotiation. All the provisions dealing with economic and monetary union could be stripped out and incorporated in a self-standing treaty; there could be another treaty for foreign policy, security and defence; there would be a social charter; and each of these new Communities might have different memberships.

This was the way of the world before the Community came along: Gatt was for trade, IMF was for balance of payments, OECD was for the rich, Nato was for the west. In the past, orthodox Community dogma was that all members must be full members of everything. The central question facing the Community in the wake of the Danish referendum, is this: does the old orthodoxy of a unitary Community become more compelling in the projected new phase of more intense integration? Or does it, on the contrary, become less compelling because not all members are willing or able to keep in step, and because many new countries want to join?

Not even The Economist could produce a sweeping one-word answer to this dilemma; it all depends on what kind of Community you want, and how far you want to go. Some, like Peter Ludlow of the Centre for European Policy Studies in Brussels, see the Maastricht Treaty as an integral whole, managed by a single institutional framework. But others believe the Community must become multi-speed, with an inner political core, because 20 or 30 members will stop it dead. Manifestly, there would be no point in a foreign and security policy to which the Irish, Swiss, Austrians, Swedes and Finns could subscribe; or the Danes, for that matter.